Currency upsets
The winners and the losers
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All is not lost
Why democratic Russians must keep their nerve
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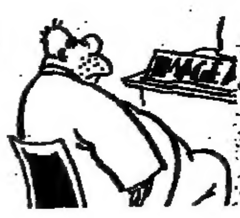

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Giving the Ossis a new image
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FINANCIAL TIMES

Europe's Business Newspaper | WEDNESDAY DECEMBER 15 1993 | D8523A

Anglo-Irish deal on Ulster's future to be announced

An Anglo-Irish declaration aimed at ending 25 years of IRA violence and paving the way for a permanent political settlement in Northern Ireland is set to be finalised in London before the end of this week.

After a day of non-stop telephone diplomacy between UK prime minister John Major and his Irish counterpart, Albert Reynolds, Whitehall officials signalled that the statement should be agreed at a meeting in London either today or tomorrow. Page 14; Editorial Comment, Page 13

Paramount Communications: The embattled board formally opened up an auction of the company to the highest bidder, signalling an end to efforts over the past three months to conclude a friendly takeover by Viacom. Page 15

Trafalgar House chairman Simon Keswick described a £425m ($633m) rights issue and placing as a "fresh start" for the troubled conglomerate which posted a pre-tax loss of £347.2m in the year to September 30. Page 15; Lex, Page 14

Iraq frees two: Iraqi president Saddam Hussein ordered the release of German Kai Sondermann and Frenchman Jean-Luc Barriere, who were serving jail sentences for entering Iraq illegally.

UK cable network to be formed: The backbone of a national UK telecommunications network to rival those of BT and Mercury will be in place by mid-1995, following a move by the UK's cable TV and telephone companies to create six regional networks. Page 14

AEA Investors, a secretive investment company run by figures from the US corporate world, is to pay $565m to acquire two cruise liner companies from Vard, loss-hit Norwegian group. Page 16

Cragnotti accused: The Ontario Securities Commission has accused Sergio Cragnotti, the Italian financier, of securities law violations involving Lawson Mardon, the international packaging group. Page 17

Debate rages over Prince Charles's future

Britain's national newspapers have been working themselves into a passion over the prospects of Prince Charles (left) succeeding his mother as monarch of the United Kingdom and over his moral fitness to be head of the Church of England, an ecclesiastical sinecure which has gone with the job since Henry VIII broke with the Church of Rome in 1534. Page 8

Lower rates boost spending: US retail sales rose by 0.4 per cent last month and by 7.1 per cent in the year to November, suggesting that lower interest rates are sparking a strong increase in consumer spending on durable goods. Page 5

Volkswagen, German car group, is expected to secure agreement today to close down the Barcelona plant of Seat, its lossmaking Spanish subsidiary, at a cost conservatively estimated at Pta30bn ($219m). Page 3

Welfare deficit worsens: The financial hole in France's welfare system will reach FFr57bn ($9.8bn) this year and, despite tax increases and cuts in medical and pension payments, will still be around FFr43bn next year, a government commission reported. Page 3

Air Canada orders Airbuses: The European Airbus aircraft manufacturing consortium announced six firm orders from Air Canada for its new long-range A340-300 widebody airliner worth more than $800m. Page 6

Two more held in bomb probe: The Austrian police have arrested two more people in connection with last week's letter-bombing campaign, bringing the number held to four. Page 3

Banque Nationale de Paris: Michel Pébéreau, chairman of the recently privatised French group, warned that it might need to make heavy provisions in the first half of next year. Page 15

Cable & Wireless, UK telecoms group, pulled out of a consortium bidding for a 30 per cent in Matav, Hungarian state telecoms group, hours before the deadline for bids. Page 15

Rock fall kills 25: At least 25 people were killed when a chunk of rock weighing about 3,000 tonnes broke off an escarpment on the edge of Cairo and crushed nine houses at the foot. Police said up to 50 people were still buried.

■ STOCK MARKET INDICES		
FT-SE 100	3,248.4	(-6.2)
Yield	3.63	
FT-SE Eurotrack 100	1,408.64	(-7.39)
FT-A All-Share	1,579.89	(-0.1%)
Nikkei	17,308.73	(-16.80)
New York lunchtime		
Dow Jones Ind Ave	3,747.38	(-17.05)
S&P Composite	463.33	(-2.37)
■ US LUNCHTIME RATES		
Federal Funds:	2⅞%	
3-mo Treas Bills: Yld	3.096%	
Long Bond	99⅝	
Yield	6.266%	
■ LONDON MONEY		
3-mo Interbank	5⅛%	(same)
Liffe long gilt future	Dec 119¼	(Dec 119½)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Feb)	$(13.95)	(13.93)
■ Gold		
New York Comex (Dec)	$387.0	(same)
London	$387.0	(386.4)

■ STERLING		
New York lunchtime:		
$	1.4885	
London:		
$	1.4885	(1.4905)
DM	2.55	(2.5425)
FFr	8.7275	(8.7025)
SFr	2.1825	(2.185)
Y	162.75	(162.5)
£ Index	81.7	(81.5)
■ DOLLAR		
New York lunchtime:		
DM	1.71475	
FFr	5.86225	
SFr	1.466	
Y	109.45	
London:		
DM	1.7135	(1.705)
FFr	5.8625	(5.835)
SFr	1.4655	(1.466)
Y	109.35	(108.95)
$ Index	67.0	(66.8)
Tokyo close Y 108.84		

Austria	Sch30	Greece	Dr350	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lev25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta210
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00
France	FFr9.00	Kuwait	Fils600	Poland	Zl 32,000	Tunisia	Din1.250
Germany	DM3.20	Lebanon	US$1.25	Portugal	Es215	Turkey	L9000
						UAE	Dh11.00

Uruguay Round pact in sight after negotiators agree to disagree on long-standing differences

EU and US clear final hurdles to world trade deal

By David Dodwell and Frances Williams in Geneva

The last obstacles to successful completion of the Uruguay Round global trade pact were effectively cleared in Geneva yesterday when the US and the European Union agreed to disagree over long-standing differences.

While there was disappointment that the two world trade leaders failed to settle differences over financial and audiovisual services, and shipping and aircraft subsidies, there was relief that weeks of brinkmanship were over, and the Uruguay Round deal was in sight.

Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, welcomed the breakthrough, which came after all-night negotiations. "I am confident that we can conclude the round on Wednesday," he said.

President Bill Clinton declared the US on "the verge of an historic victory" in its efforts to open markets. He acknowledged that "thorny details" remained to be settled, but said he had instructed US negotiators to push hard to get them out of the way.

PAGE 6
- France savours victory in audio-visual battle
- Agreement greeted as triumph for multilateral system
- Lex Page 14

Mr Mickey Kantor, the US trade representative, said the US and the EU had "broken the Gordian knot". The deal would bring tariff barriers down more than any other agreement in history, expand US exports and apply international trade rules for the first time to services, agriculture, intellectual property and investment.

Mr Kantor claimed the global economy "will be $6,000bn wealthier" over the next decade because of the deal.

In the market-opening deal agreed between the US and the EU, each will cut tariffs on the other's products by just over 50 per cent. Such cuts are commonplace in market-opening deals with other countries, and compare with a target of 33 per cent set by negotiators in 1988.

Sir Leon Brittan, the EU trade commissioner, shared Mr Kantor's regrets that divisions over audiovisual services, shipping and financial services had not been soluble. He also cautioned that the deal finalised yesterday was between the US and the EU, with the other 111 Uruguay Round participants still to be brought on board before this evening.

EU foreign ministers will today consider whether to give their seal of approval to the draft Uruguay Round accord.

Mr Sutherland said problems remained in the sensitive areas of financial services, textiles and intellectual property, but did not expect these to block completion of the round.

However, the failure of the US to win better access to Europe's film and television market was bitterly felt yesterday by US film industry lobbyists in Geneva. Mr Jack Valenti, who heads the Motion Picture Association of America, described the outcome as a loss for the people of Europe, who would have less choice on programming in future.

Colin Beere

'Breaking the Gordian knot': Sir Leon Brittan (left) and Mickey Kantor announce the US-EU deal

News that the EU had succeeded in removing the culturally sensitive film and broadcasting industry from the Gatt draft was seen as a major boost in Brussels. "It is a total victory for France," said one official, referring to its fierce battle to defend European culture.

France also succeeded in reopening the Blair House agreement on subsidised EU farm exports, and in defending its aluminium industry against threats of lower tariff protection.

One conspicuous success from the negotiations was US support for creation of a Multilateral Trade Organisation to replace the Gatt, with wider powers.

Japan's trade surplus falls 2.2%

By Robert Thomson in Tokyo

Japan's trade surplus has peaked after three years of uninterrupted expansion, as import growth outpaced exports during November and the surplus fell 2.2 per cent year-on-year to $7.398bn.

The Ministry of Finance said the turnround reflected the influence of the yen's appreciation by 14 per cent against the dollar this year, adding that the surplus should continue to shrink in coming months.

Japanese trade officials hope the contraction of the surplus will be matched by an easing of trade friction, as the growing figure had been a target for criticism by the US and Europe.

The fall follows a gradual reduction in year-on-year increases in recent months. In July, the surplus expanded by 28.7 per cent, in August 6.7 per cent, September 3.8 per cent and October 0.91 per cent.

Exports during November rose 4.1 per cent to $28.38bn, while imports rose 6.4 per cent to $20.99bn, reflecting an increase in component imports from the east Asian factories of Japanese manufacturers.

Trade with China continued to expand rapidly, regardless of Beijing's attempts to cool its economy. Japan's exports to China rose 19.6 per cent, while imports from China rose 33.3 per cent, including a 62 per cent increase in machinery imports.

Japan's seasonally adjusted exports slipped 3.9 per cent, while imports rose 2.9 per cent from a month earlier and the surplus was $8.81bn, compared to $10.51bn in October.

The surplus in trade with Washington continued to expand, as exports to the US increased 8.3 per cent to $8.84bn and imports rose only 4.3 per cent to $4.54bn. Demand from the US computer industry lifted exports of semiconductor parts by 42.5 per cent. However, the surplus with the European Union decreased for the 10th consecutive month, falling 36.2 per cent to $988.1m.

Few jobs for the seekers, Page 4

Yeltsin seen as the reformists' last hope

By Leyla Boulton in Moscow

The survival of economic reforms in Russia depends on President Boris Yeltsin's will to push them forward, leaders of Russia's divided and shaken pro-reform camp said yesterday.

The most popular reform party, Russia's Choice become more confident that, in coalition with the three other main reformist parties, it could command more seats than the combined anti-reform forces of Mr Vladimir Zhirinovsky's neo-fascist Liberal Democratic party, Communists, and Agrarians.

Although serious bargaining on forming a new government was delayed as participants waited for proper "working results" from the weekend's election before committing themselves, the major players spelt out their conditions for joining the government.

Mr Zhirinovsky, whose ultimate goal is the presidency, said he would join a coalition government only if his party could occupy the foreign ministry, defence, security and interior ministries.

Yesterday he adopted a more moderate tone than previously in an effort to soothe critics fearful of his ultra-right and expansionist platform.

He promised he would not "destabilise" the situation if he was left out of the government, indicating he would use parliament to increase his popularity.

However, all the main pro-reform parties have excluded any co-operation with him.

Mr Yeltsin, who has said he would use his new powers to pursue democracy and reforms, has made no comment about Mr Zhirinovsky's electoral success.

Mr Yavlinsky, leader of the second largest reformist party after Russia's Choice, said the reformers' success would depend entirely on how Mr Yeltsin used the powers granted to him by Russia's newly approved constitution.

"The president has to have a certain view, he must clarify what policy he wants," he said.

Mr Yavlinsky said that any new cabinet would have to be homogeneous and not like the present government in which "a third is building communism, a third is building capitalism and a third are looking after their personal affairs."

He said it was also essential to give up attempts to dash to financial stabilisation overnight because the fight against inflation would only lead to "bloody clashes" and fail unless it was accompanied by fundamental institutional reforms.

He said the electoral victory of Mr Zhirinovsky's "national socialist" party was in large part a reaction against reforms which had been harsh, incoherent, and incomprehensible.

While agreeing with the Russia's Choice leader, deputy prime minister Yegor Gaidar, that the only way to save market reforms was to accelerate them, Mr Yavlinsky said far more had to be done to demonopolise the economy, build up a private sector, and make government policy more predictable and understandable for ordinary people.

New man of power pulls on velvet gloves, Page 2
All is not yet lost, Page 12

US to reassess its policies in wake of Russian election

By Jurek Martin in Washington

The Clinton administration was yesterday reassessing, with growing concern, its policies towards Russia.

Officials travelling with Mr Al Gore, the US vice-president, who arrived in Moscow yesterday, conceded that the successes of the nationalist and Communist parties and the worse than expected performance of the reformist groups raised serious doubts about whether President Boris Yeltsin could achieve a working relationship with the new parliament.

On Monday, both President Bill Clinton and Mr Gore had taken consolation in the fact that a Russian constitution, enhancing presidential authority, had been approved at the polls. Mr Clinton said Russian democracy had a new foundation and he was not particularly surprised at the rise of the nationalist groups given the recent suffering of the Russian people.

Mr Gore, en route from Kazakhstan, even expressed the hope that if the reformers could bury their differences and assemble even a narrow parliamentary majority, then Russia could still be on course to a market economy.

But the latest election returns have damped even this guarded optimism. Mr Gore himself was reduced to comparing what might happen in the Russian parliament with the US Congress, where floating and narrow majorities on specific issues had become the order of the day.

Other officials travelling with him were less philosophical. One was quoted as saying that the results were "very bad" and "a dramatic change".

Another noted that US policies were geared as much towards promoting economic reform as they were to supporting Mr Yeltsin.

"If one part of the government is against reform, we could not support it," he said.

Washington postmortems were conspicuous for criticism of Mr Yeltsin for misjudging the electoral climate and deciding to stay above the fray.

He was, it was freely said, the only populist counterweight to Mr Vladimir Zhirinovsky, and his refusal actively to campaign for Russia's Choice, which was his preferred party, had given the nationalist leader an opportunity to capitalise on popular discontent.

Continued on Page 14

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هكذا من الاصل

Some of the president's old foes have won seats on the federation council

Local officials gain a national platform

By John Lloyd and Leyla Boulton in Moscow

The first results of voting for the federation council – the new parliament-to-be's upper house and the one which represents the interests of the regions – show it to be overwhelmingly filled with representatives of the regional *nomenklatura*.

Of different persuasions, they are all there, above all, to lobby for their regions. They also include some old foes, both of President Boris Yeltsin and of the reformers.

Mr Aman Tuleev, leader of Kemerovo, comes in on a big vote. He gave some of the most virulent anti-Yeltsin speeches in the former parliament.

From Sverdlovsk comes Mr Eduard Rossel, the former governor sacked by Mr Yeltsin for attempting to make his region a new Urals republic. He also won a formidable popular vote.

Two of the men alleged to have masterminded the abortive coup in August 1991 are in. Still untried, they are Mr Vasily Starodubtsev and Mr Anatoly Lukyanov.

From the republic of Kalmykia comes the millionaire president, Mr Kirsan Ilyumzhinov, who before the suppression of the last parliament attempted to organise anti-Yeltsin sentiment outside it.

There are also reformers, like the first deputy prime minister, Mr Vladimir Shumeiko, from Kaliningrad. But the largest part of the parliament will be of uncertain political allegiance, capable of being mobilised both for and against the president and the government.

For some, such as Mr Rossel and the leaders of many of the republics, the constitutional issue will be given pride of place.

The Russian constitution, now embedded in law, is clear that all areas are subordinate to the federal levels of power. However, some have already claimed sovereignty within constitutions which they themselves have adopted.

This is an issue which, like many others, has been finessed until now, but which will rise again all the more strongly now that the republican leaders have a democratic mandate and a pulpit from which to state their case.

In the single mandate seats for the lower house, or state duma – being half the 450 seats elected on a first-past-the-post system rather than on party lists – the situation is also unclear.

Russia's Choice, the main reformist party, believes it has done much better here than in the half elected by party lists, which is dominated by the Liberal Democratic party of Mr Vladimir Zhirinovsky.

In part this was for the negative reason that the central electoral commission banned the mention of any party affiliation, and thus people voted for the best-known name – many of whom were democrats – rather than for an anti-reform party which they might otherwise have preferred.

However, the disorganisation among the democrats showed itself here as well.

In the Central Petersburg district, the nationalist television presenter Mr Alexander Nevzorov came first past the post with 25 per cent of the vote, while the two democratic candidates took almost double between them.

The democratic candidates, from Russia's Choice and from the Yabloko grouping, apparently disliked each other more than they did the prospect of Mr Nevzorov's victory.

Mr Grigory Yavlinsky, the leader of the Yabloko bloc, said yesterday he had tried his best to get his candidate to stand down – but he had refused. "We are not a Leninist party," he said in explanation: democracy clearly has its price.

The protest vote . . .

Combined percentage of votes for Liberal Democratic party, Communist party and Agrarian party*

60-69% | 50-59% | 40-49% | 30-39% | 0-29% | Not available

Republics	
Adigey	52.13%
Bashkiria	50.37%
Buryat	36.58%
Ingushetia	9.62%
Chuvashia	51.62%
Daghestan	n.a.
Gorno-Altai	33.64%
Kabardino-Balkaria	n.a.
Kalmykia	43.56%
Karachaev-Cherkess	n.a.
Karelia	n.a.
Khakass	42.97%
Komi	35.36%
Mary-El	47.32%
Mordovia	65.10%
North Ossetia	55.43%
Tatarstan	32.85%
Tuva	n.a.
Urdmurtia	38.24%
Yakutia-Sakha	n.a.
Regions & districts	
Altai	58.47%
Khabarovsk	28.09%
Krasnodar	48.57%
Krasnoyarsk	n.a.
Evenki	n.a.
Taimyr	21.5%
Primorsky-Krai	n.a.
Stavropol	60.65%
Regions & districts	
Amur	50.38%
Arkhangel	26.61%
Nenyetsk	24.65%
Astrakhan	44.05%
Belgorod	n.a.
Bryansk	56.46%
Chelyabinsk	31.75%
Chita	45.64%
Agin Buryat	42.31%
Irkutsk	n.a.
Ust-Ordin Buryat	56.04%
Ivanovo	42.06%
Kaliningrad	41.66%
Kaluga	51.31%
Kamchatka	31.32%
Koryak	28.84%
Kemerovo	43.04%
Kirov	48.80%
Kostroma	47.99%
Kurgan	40.75%
Kursk	60.38%
St Petersburg	n.a.
Leningrad	n.a.
Lipetsk	55.48%
Magadan	34.30%
Chukot	29.78%
Moscow City	n.a.
Moscow	n.a.
Murmansk	25.17%
Nizhny Novgorod	35.87%
Novgorod	n.a.
Novosibirsk	43.04%
Omsk	37.83%
Orel	62.44%
Orenburg	39.47%
Penza	56.67%
Perm	25.51%
Korsi	55.38%
Pskov	n.a.
Rostov	n.a.
Ryazan	53.85%
Sakhalin	44.57%
Samara	n.a.
Saratov	n.a.
Smolensk	59.71%
Sverdlovsk	25.11%
Tambov	60.39%
Tomsk	34.34%
Tula	47.05%
Tver	37.63%
Tyumen	40.38%
Khanty-Mansiysk	25.70%
Yamalo-Nenyetsk	23.38%
Ulyanovsk	55.14%
Vladimir	44.88%
Volgograd	50.35%
Vologda	48.35%
Vorodezh	55.55%
Yaroslav	35.74%
Yevrey (Jewish)	39.81%

* Preliminary results for the half of seats to the lower house of parliament that are being elected by PR from party lists. The other half are being filled on a first-past-the-post basis.

Kohl tries to calm German nerves

By Quentin Peel in Bonn

Chancellor Helmut Kohl yesterday warned against any "over-dramatisation" of the election results in Russia.

In an interview to be published in today's issue of Bild, the mass circulation popular newspaper, he expressed his confidence that "President Yeltsin and the forces which support him will continue along the path of reforms".

He insisted that Germany would continue to support the Russian president, and praised his success in winning electoral backing for his new constitution.

The chancellor's words contrasted with a weak performance on the Frankfurt stock exchange, as shares and bonds fell in afternoon trading over concern about events in Russia. Germany is the largest western investor in Russia, and the country's largest trading partner, in spite of a sharp reduction in trade levels over the past 18 months.

Dealers reported a particular flurry of activity after an interview recorded by Mr Vladimir Zhirinovsky, leader of the far-right Liberal Democratic Party in Moscow, was broadcast on German radio. In the interview, given well before Sunday's election, but first aired yesterday, he threatened a nuclear disaster in Germany if it sought to interfere in Russia's affairs.

"The Germans are interfering in Russia now, but if a German looks at Russia the wrong way when I am in the Kremlin, you Germans will pay for all that we Russians have built up in Germany," he said. He would not hesitate to create a "Chernobyl in Germany" to prevent any interference.

Mr Kohl was, in contrast, as phlegmatic as possible. "In spite of all our concern at the developments, there is still no cause for over-dramatisation," he said.

"We want a democratic, a stable, and an economically healthy Russia, which is a predictable partner. Whatever we can contribute to that we will continue to do in the future."

German industry is also maintaining an attitude of calm in the face of the election results. Mr Michael Fuchs, president of the Federation of German Wholesalers and Exporters, said the outcome would not cause any "dramatic influence on western economic activities in Russia".

He said that approval of the new constitution would provide "greater long-term clarity", and the tendency of voters to support extremists would diminish "once the people can experience the success of a market economy".

The German foreign ministry announced that Mr Klaus Kinkel, the Foreign Minister, will fly to Moscow on Friday for two days of informal talks with his counterpart, Mr Andrei Kozyrev.

Ukraine tightens grip on its N-arms

By Jill Barshay in Kiev

The nationalist victory at the Russian polls has left Ukraine's 52m citizens nervous about the future of their newly independent state, and could further stall Ukraine's stated intention of becoming a non-nuclear power.

For many leaders and politicians, Mr Vladimir Zhirinovsky's strong showing is a concrete sign that Russia poses a real territorial threat.

"Our feelings have been justified," Mr Dmytro Pavlychko, head of the parliament's foreign relations committee, told Ukraine's most popular newspaper. "I think it should now be clear to many in the west why we have taken such a position on disarmament."

In the face of strong international pressure Ukraine is standing firm on its demands for security guarantees and fair financial compensation for the 2,760 short-range nuclear warheads it transferred to Russia last year and for its 1,656 remaining warheads.

Kazakhstan's ratification on Monday of the Nuclear Non-Proliferation Treaty (NPT) has left Ukraine as the last of the former Soviet states outside Russia to renounce its nuclear status.

Though President Leonid Kravchuk has promised to resubmit the Start-1 and NPT treaties to the new parliament after elections in March, the new rise of Russia's radical right goes to the heart of why Ukraine is reluctant to send its 176 strategic missiles to its unstable neighbour without achieving western security guarantees in return.

"It is reason to hold on to the weapons in parliament and will push us to a more anti-Russian position," said Aleksandr Charodeyev, a pro-Russian parliamentarian from the eastern coal mining region of Donetsk.

"Zhirinovsky's victory only strengthens nationalism within Ukraine. There is a great danger that there could be two nuclear powers with nationalist tendencies pitted against each other. This is a deathly, dangerous threat on a planetary scale."

Ukraine's military experts acknowledge that their missiles are long-range, designed to hit targets half way around the globe and cannot be aimed at near-by Moscow. Also, Ukraine has no operational control – Russia still controls the "red button" and targeting codes. Many Ukrainians nevertheless perceive that their missiles somehow protect their borders against invasion.

Mr Kravchuk himself has so far adopted a "wait and see" attitude on the Russian election, but he did say yesterday: "I can't agree with the indivisible Russia extending to its February 1917 borders. If this turns out to be the official state policy of Russia, then we will come out with a reaction."

New man of power pulls on velvet gloves

Zhirinovsky tones down the rhetoric for **Chrystia Freeland and John Lloyd**

"We are ready to serve in the cabinet," said Mr Vladimir Zhirinovsky yesterday, emphatic behind his large desk. "I would, with great reluctance, be prepared to be prime minister, but better if others were."

The leader of the Liberal Democratic party (LDP) was holding court in his fourth floor party headquarters. The man to whom Russia and much of the world looks – with hope or fear – for a sign of what he will do with his victory is clear as to his tactics: he wants power, and power at the very centre of the state.

His reluctance to be prime minister is probably genuine. His second-in-command, Mr Alexander Vengerovsky – who sits a little to his side, with a licence to speak – is being promoted as the party's choice for the post they believe they deserve. Beyond that, according to Mr Zhirinovsky, they will claim the posts of foreign, defence, security and interior ministers: the "power ministries" responsible for order and external relations.

They will demand that the present holders resign – especially hated is Mr Andrei Kozyrev, foreign minister – and that Mr Yegor Gaidar, first deputy premier, and Mr Anatoly Chubais, deputy premier for privatisation, go too.

The first bill they will promote in the lower house (state duma) when they take their seats in January is one establishing a national guard. This, for all the moderation they now insist is their true face, is the party of law and order. It is a posture which has allowed them to claim the voice of the Russian people.

Mr Zhirinovsky also won because he leads a party united under his unquestioned leadership, capable of projecting simple, clear messages addressing popular concerns and playing up popular prejudice.

As he comes into his scruffy, pullulating offices, the word runs through the crowd "Shef idyot!" ("the leader's coming"). He strides in, erect and vigorous, shaking the hands of the petitioners awaiting him. In his office, lined with portraits of Russian generals and beneath a party slogan proclaiming "Freedom – LDP – Law", he talks to an old man with veteran's ribbons brought in greet him, telling him to "go and see my colleague; all your problems will be dealt with,

Mr Vladimir Zhirinovsky sniffs a bunch of carnations presented to him yesterday by a well-wisher Reuter

without delay, all, all".

He is unphased by his sudden power. He simply denies previous positions no longer needed. "How many times must I tell you? [beating the desk]. We have no claims on other countries! As for the Russians in the other former Soviet states, they either stay where they are or come back. They are free to do as they like."

Along the hall is a queue of prospective party members to swell the claimed membership figure of 176,000, already massive for a Russian party. One of them, Mr Alexander Denisov (40), says he does not want to offend the Americans but "Kozyrev was giving them our country." He was a photographer but, he says, left his trade rather than be forced to take pornographic pictures of women.

On the way into the office, Mr Pavel Kuzovkin (28) presides over a stall selling black T-shirts with skulls and demons on them, and tapes by Madonna and Michael Jackson. He is a designer of nuclear plants fallen into petty trading, but he "likes Zhirinovsky because he let me set up this stall. Yeltsin I don't like, he makes my life harder".

Mr Zhirinovsky, having been carried to victory in the polls on a wave of populist rhetoric, is now taking great pains to position himself as the leader of Russia's political centre.

Occasionally he slips up. Yesterday, for example, after emphatically insisting that he opposed all forms of racial, religious or ethnic discrimination, Mr Zhirinovsky declared: "It is true that now there is a wave of anti-Semitism in the country, but we are not the ones who provoke it, rather, it is being provoked by people of Jewish nationality."

But when he remembers he is no longer on the campaign trail, he is the soul of moderation. At home, he says he leads "the party of compromise", which is willing to work with President Boris Yeltsin, or, if the president prefers, serve as "a constructive opposition". Abroad, the man who waxed poetic about "Russian soldiers washing their boots in the Indian ocean" in an autobiography published earlier this year now denies any expansionist aims.

> "How many times do I have to tell you? We have no claims on other countries."

"We are the party of peace, of co-operation, of culture," Mr Zhirinovsky assured the FT yesterday. "We will never take a single step toward the west. I will tell you ten times over, we are against the return to Russia of the territories which belonged to the Soviet Union."

Well aware that a large part of his party's appeal lies in the ambiguity of its platform, he is reluctant to specify the policies he will advocate from his new position of power. The most he will say is that the Liberal Democrats will pursue four goals: an end to all economic subsidies to former Soviet republics; the export of Russian armaments; the withdrawal of the Russian army from all foreign territories; and the creation of "civil society" in Russia.

It is on economic policy, a "no-win" issue if ever there was one, that Mr Zhirinovsky most assiduously refuses to be pinned down. Apart from the windfall he expects from arms exports – waving a metal flask a Russian factory is producing instead of nuclear submarines to illustrate the folly of defence industry conversion – he is reluctant to describe how he plans to raise Russians' standard of living. Triumphantly attired in a tuxedo and flanked by his shadow cabinet at a news conference yesterday, the most Mr Zhirinovsky would say was that he favoured "a mixed economy" with equal rights for the state and private sectors.

He is more expansive when it comes to foreign policy. Apparently having undergone an overnight metamorphosis from expansionist to isolationist, and sublimely untroubled by previous pledges to extend Russian territory, he now says he does not want "a single metre" of territory beyond Russia's current borders. Suddenly more liberal than Mr Yeltsin's own government, Mr Zhirinovsky even says that he has no objections to eastern European membership of Nato. "It is up to them."

This conciliatory stance is clearly intended to make collaboration with the Liberal Democrats more palatable for Mr Yeltsin. Indeed, Mr Zhirinovsky, who expects to meet the president soon, is confident that "the president has a positive feeling toward us, and toward me personally, because we have taken a centrist position".

If Mr Yeltsin chooses not to co-operate with this kinder, gentler incarnation, that is not a problem either. Mr Zhirinovsky's eyes remain firmly fixed on the ultimate prize in Russian politics, the presidency, which has become a more powerful post now that the draft constitution has been voted into law by Sunday's referendum. Mr Zhirinovsky, who says that he will not insist that Mr Yeltsin stick to his earlier promise to hold elections in 1994, is confident of winning whenever a vote is held.

"My only fear is that I might be the only strong candidate for the presidency," he says. "I would not like the presidential marathon to be too soft."

Apart from a burning belief that it is his personal destiny to save Russia, Mr Zhirinovsky's confidence is based on his realisation that he can communicate a message which is compelling for millions of Russian voters. This message, emblazoned on thousands of campaign posters, is his promise "to raise Russia off its knees!"

Whether advocating isolationist or expansionist policies, Mr Zhirinovsky's consistent promise is to ruthlessly put the interests of the people of Russia above everything else. He is vague indeed when it comes to the ways in which he will make Russians rich, but his is the boldest voice promising to make Russians strong.

Polish minister says result is 'simply bad'

The Russian election results were described as "bad, simply bad" by Poland's foreign minister, Mr Andrzej Olechowski, yesterday, Reuter reports from Washington.

Speaking on a visit to the US, he said he felt "more than concerned" about the widespread support for Mr Vladimir Zhirinovsky, who has spoken about absorbing Poland into a restored Russian empire. The result would make the democratisation of Russia a longer process, requiring "international support" and "some international discipline".

Major defends sovereignty of former satellites

By Gillian Tett and Kevin Brown, and Agencies

Mr John Major, the British prime minister, yesterday delivered a clear warning that the west would resist any threats to the sovereignty of former Soviet satellites.

"The UK and the international community have recognised the independence of countries that were formerly part of the USSR. We expect their sovereignty to be respected," he said.

He was echoing an alarm felt across Europe about the implications for Russian foreign policy of Mr Vladimir Zhirinovsky's success in the elections.

In recent weeks the Liberal-Democratic party leader has repeatedly questioned the sovereignty of some of the former Soviet territories, such as the Baltic states and at times threatened Japan, Turkey, Finland, and Germany with military aggression.

But although the British foreign minister, Mr Douglas Hurd, added his voice to the chorus of concern, describing the results as "alarming", western diplomats in general yesterday maintained their cautious stance. They insisted that it was too early to assess the longer term implications of the nationalist surge while it remains unclear what role Mr Zhirinovsky might play in any future government.

Nevertheless, the success of his party seems set to add a nervous edge to the Nato meeting next month, as well as fuelling western unease about Russia's requests for an official role as "peacekeeper" in the former Soviet republics – a request that Mr Hurd and other western European governments have hitherto given a cautiously warm hearing.

Ambassadors from Europe and the US at a meeting of the Western European Union in Brussels yesterday denied their would be any policy change yet. "We do not see a need to change our policy, neither Nato nor the WEU," Mr Willem van Eekelen, WEU secretary general, said after the meeting.

But in a comment which marks a shift of tone from recent western statements, Mr Manfred Wörner, Nato secretary general, warned that the alliance should remain vigilant towards Russia and maintain a military balance.

However, he insisted that the alliance had no need to change policy towards Moscow after Sunday's vote.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Gazprom to limit foreign investment

By Robert Corzine in Vienna

Gazprom, the Russian company which controls the world's largest gas reserves, says it will limit direct foreign participation to projects which require technical expertise unavailable in the country.

Mr Rem Vyakhirev, Gazprom chairman, told a Financial Times conference in Vienna yesterday that there "would be no question of any direct foreign investment or profit sharing" in projects in which current Russian technology was adequate.

He said the restrictions applied both to exploration and production of gas reserves as well as to pipeline and other distribution systems. But Gazprom might utilise foreign finance for such projects, he said.

Direct foreign participation was welcome, however, in higher-risk developments. These were defined as those in which the "geologic or climatic challenges" required more advanced technology than that available in Russia. "In those cases we would be willing to work at all stages with foreigners," Mr Vyakhirev said.

Gazprom is increasingly looking to remote Siberian and Arctic sites, such as the Yamal Peninsula, as well as to the largely unexplored northern Russian continental shelf, for future reserves.

Mr Vyakhirev yesterday confirmed that current prices paid by western European customers for Russian gas were inadequate to support the development of such areas.

He also questioned whether it was wise to open up the Russian pipeline system to allow other producers in the former Soviet Union to deliver their gas to western Europe.

"The system is already overcommitted," he said. "we are putting money into expansion . . . access should mean investment."

Mr Vyakhirev said Gazprom intends to expand the southern pipeline route to western Europe which passes through Ukraine. This is despite the "serious problems" which have arisen between Moscow and Kiev over the pipeline, and a proposal to build a new line to western Europe through Belarus and Poland.

EU banks warned over transfers

People ought to be able to transfer money from one European Union country to another more quickly and cheaply, to subscribe to a foreign newspaper or buy goods by mail order, the European Commission said yesterday, Reuter reports from Brussels.

And it was ready to force banks to comply if they failed to do so of their own accord.

Transferring 100 European currency units cost on average Ecu24 ($27) at the beginning of 1993 and took almost five days, according to a study carried out by the Commission. This was unacceptable if the EU's single market for goods, money and people was to be meaningful, the Commission said in a statement.

"European consumers are right to complain about the current situation on cross-border payments. It is a field where the great market has got to benefit citizens," the statement quoted Mrs Christiane Scrivener, the commissioner in charge on consumer policy, as saying. The Commission approved an action plan yesterday which could culminate in the adoption next summer of measures to force the banks to act if a study to be carried out early in 1994 showed that no concrete progress had been made.

"The Commission gives the banks a 'grace period' to allow for more transparency and efficiency when making cross-border payments," the statement said.

International transfers of money are expensive because they involve manual operations often involving more than two banks. This means that costs are charged not to the sender but also the beneficiary. There are more than 200m cross-border payments below Ecu2,500 in the EU each year but they account for only 1.3 per cent of total banking transactions, according to 1991 figures.

However, the banking industry continues to contest the Commission's right to impose rules on its operations.

Brussels rules out return to ERM bands

Creation of a single European Union currency does not depend on a formal return to the tight movement bands of the exchange rate mechanism, according to Mr Henning Christophersen, economic affairs commissioner, Reuter reports from Brussels.

"You cannot exclude that a group of countries could go into Emu (economic and monetary union) stage three without having formally re-entered the narrow bands," a European Commission spokesman quoted Mr Christophersen as telling Danish journalists.

But he said Mr Christophersen stressed that currencies still had to be stable and close to their central rates in the European Union's system of semi-fixed exchange rates.

Mr Christophersen's comments mark a policy shift for the Commission.

The EU's executive has always insisted that there had to be a formal move back to the grid's narrow bands before a single currency could be created. EC finance ministers gave in to more than a year of money market turmoil on August 2 and opened the currency grid's fluctuation bands to 15 per cent either side of central rates from 2.25 or 6 per cent.

Only Germany and The Netherlands held on to their 2.25 per cent bands under an informal deal.

The move prompted speculation that the EU's timetable for creating a single currency in 1997 or by 1999 had become more fantasy than fact.

Senior EU monetary sources have been saying for some time that a formal tightening of the bands could not take place in the near future and in any case would simply serve to offer money markets easier targets.

They have said that the most sensible way forward is for countries to set up informal support agreements with each other along the lines of the German-Dutch deal as the ERM's hard core begins to crystalise. Since August 2 both the Belgian and the French francs have crept back inside the narrow band and the Danish crown is sitting just outside.

This means that, in effect, the so-called hard core has virtually re-formed itself.

One member of the EC's monetary committee said last week that this reclustering proved that formally setting the narrow bands had itself been a mistake and should not be repeated.

Two more held for Austrian bombings

By Patrick Blum in Vienna

The Austrian police have arrested two more suspects bringing to four the number of people held in connection with last week's letter-bombing campaign in Austria.

Several people, including Mr Helmut Zilk, Vienna's Social Democratic mayor, were injured in the campaign which was aimed against human rights activists and politicians sympathetic to the plight of immigrants.

Two men, both with connections to an illegal Austrian neo-Nazi organisation, were arrested last Thursday, and since then investigations have focused on the shadowy world of neo-Nazi groups in Austria and Germany. The German police are co-operating closely with the Austrian police in the search for possible German neo-Nazi links in the bombing campaign.

Nothing is known of the latest suspects as the authorities are maintaining a news blackout on their investigations.

Until now, Austria had been relatively free of the racist violence seen elsewhere in Europe.

Many Austrians have grown increasingly concerned at the large influx of immigrants since the collapse of the communism in eastern and central Europe and the onset of the civil war in the former Yugoslavia, but the letter-bomb campaign shocked a public unused to political violence and brought widespread sympathy for the victims.

Ukraine appeal on inflation battle

Ukraine's government called on parliament yesterday to save the economy from collapse by approving an "anti-hyperinflation" programme that mixes market reforms with measures to strengthen state control, Reuter reports from Kiev.

Most deputies ignored the government's eighth attempt to push through an economic reform plan in the two years since independence from Moscow. They blamed ministers for the latest round of price increases that made staples three to five times more expensive and cast Ukraine's 52m citizens deeper into poverty. The acting prime minister, Mr Yefim Zvyagilsky, said Ukraine had to introduce "radical market reforms" to fight monthly inflation of 70 per cent, including rapid privatisation of 40 per cent of state property over the next year.

The programme would grant President Leonid Kravchuk "extraordinary powers", but these were hardly mentioned in the debate.

Eight die in Sarajevo attack

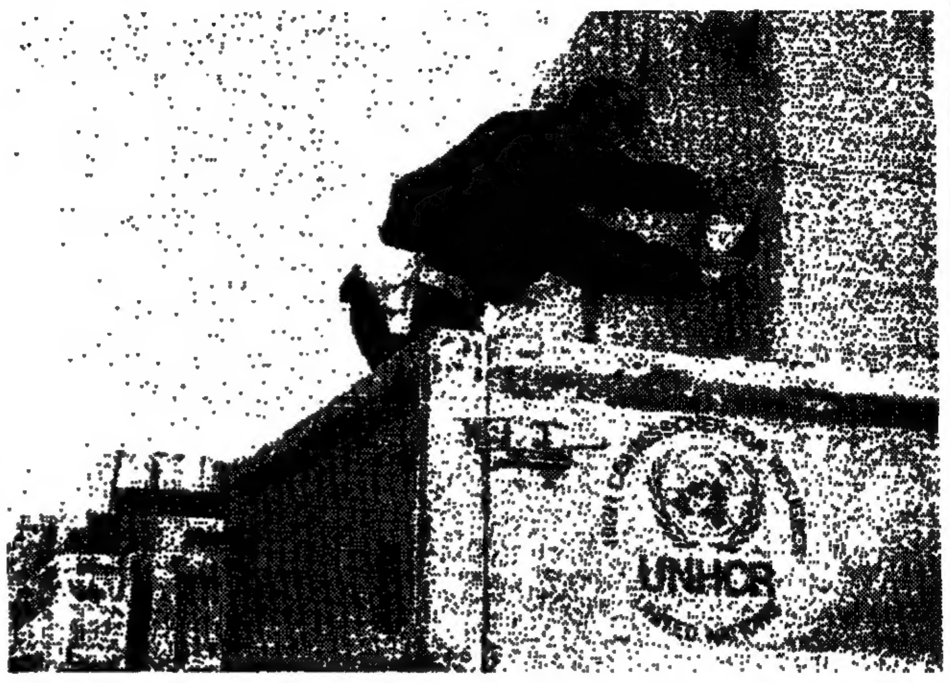
Eight people were killed and 10 were wounded in a heavy mortar and artillery attack on central Sarajevo yesterday, the latest in a series of relatively isolated but deadly attacks on the besieged Bosnian capital, Reuter reports from Sarajevo.

Doctors at Kosevo hospital, the main casualty centre, said five women and three men were killed when two mortar rounds landed near the Drvenija bridge and near the barracks of the Egyptian United Nations brigade. A Bosnian soldier was killed by a sniper in the Vogosca district.

The latest fighting has forced UN peacekeepers to close the airport, which is under their control.

Fierce fighting was also reported in central Bosnia. According to Croatian radio, Moslem troops launched a heavy artillery and mortar attack on Croat positions around Zepce. The radio said the Moslem side used two helicopters to drop explosive devices on Croat positions, in violation of a UN no-fly zone over the whole of former Yugoslavia.

The radio also reported that special units of the 3rd Corps of the Moslem-led government army, including some foreign Mujahideen, fired more than 100 shells at the Zepce area in central Bosnia.



AP

A Bosnian Serb soldier searching a UN aid convoy which was stopped near Banja Luka yesterday

To the east of the Bosnian capital Serbs were reported by government-controlled Sarajevo radio to have attacked two Moslem enclaves that are supposed to be UN "safe areas". The radio said four people had been killed and two wounded over the past few days in artillery attacks on Gorazde, south-east of Sarajevo, and five people were wounded by shelling in Srebrenica, north-east of the capital.

Meanwhile, the UN said yesterday that it had agreed to let Bosnian Serb police escort aid convoys through Serb-held areas to avert delays.

Finnish minister forecasts upturn in the economy

Finland's worst economic problems are over and a return to growth is within reach, Mr Iiro Viinanen, the finance minister, said yesterday, Reuter reports from Helsinki.

"All in all I am more confident than ever before that the worst is behind us and that we can gradually reach slow growth," Mr Viinanen told the Finnish parliament during a debate on the 1994 budget.

The current account was stabilising at a quicker pace than expected, Mr Viinanen said. He also noted the sharp fall in interest rates and higher share prices.

Czech voucher sell-off improves

By Patrick Blum

Public interest in the Czech Republic's second wave of mass voucher privatisation has surpassed official expectations, with more than 6m Czechs out of a total population of 10.3m having registered for voucher books by the December 8 deadline, according to preliminary government figures.

After a slow start, which encouraged the government to extend the original deadline by one week, investor interest picked up sharply. Mr Ivan Kocarnik, finance minister, said a strong advertising campaign on television and radio helped to boost interest.

Analysts say the high take-up level for voucher books should ensure the privatisation programme's success. Shares in some 770 companies, with an estimated book value of CzK145bn (£3.4bn), will be sold in the current wave. The Czech government considers voucher privatisation the most effective and quickest way to reform the Czech economy and to transfer state assets into private hands, with restructuring being left to the new owners of privatised companies.

For individual Czech investors, voucher privatisation offers a sure gain at little cost. A voucher book costs CzK1,000, on top of which there is a small registration fee, but on average they can hope to gain CzK20,000-CzK30,000 in return for their investment once the vouchers have been exchanged into shares.

Closure of Barcelona plant will cost Germans some Pta30bn

VW expects Seat pact today

By Tom Burns in Madrid

Volkswagen, the German car group, is expected to secure agreement today to close down the Barcelona plant of Seat, its loss-making Spanish subsidiary. The deal, between Seat's management, the unions and the local authorities, is also to shed temporarily 40 per cent of the company's labour force, a total of 9,000 jobs, in the biggest single lay-off in Spain's industrial history.

The struggle by the German giant to reach agreement for the closure of Seat's sprawling and mostly obsolete Zona Franca factory on the city's outskirts has been costly as well as time-consuming and marked by strikes and by clashes with riot police in central Barcelona.

Seat has three plants in Spain and it opened a new plant west of Barcelona earlier this year. The attempt to streamline Seat has sharply illustrated both the rigidities of Spanish labour legislation, which the government intends to reform, and the power of Spain's trade unions, which have called for a 24-hour general strike next month to protest against the government's reforms plans.

Under the terms said to have been agreed yesterday with unions, management and the regional government, Seat is committed to re-employing within two years 4,600 workers who have fixed employment contracts, and it is bound to make up unemployment benefits to ensure that the laid-off workers will be receiving at least 80 per cent of their take home pay.

The irony is that Volkswagen could have saved itself a lot of money had it awaited Spain's planned labour market reforms

The cost of the settlement, which includes Pta5m (£24,500) cash payments for employees accepting early retirement, is conservatively estimated to be costing Volkswagen's Spanish unit Pta30bn and could represent as much again for Spain's hard-pressed social security system.

The management, which hopes that part of its laid-off labour force will be absorbed by a components manufacturing industrial park that is scheduled to occupy the site of the Zona Franca plant, had initially refused to guarantee re-hiring employees and baulked at adding to the unemployment benefits.

Apparently rattled by the violent drift that Seat worker demonstrations were taking in central Barcelona, the Catalonian government last week persuaded the company's management to raise its terms, gaining a grudging union assent to the lay-offs.

The irony of the settlement is that it could have been considerably less costly for the management had it been able to wait for the government's planned labour market reforms before implementing the cutbacks. But the company wanted to act swiftly – in the first nine months this year it posted losses of Pta87bn, and Volkswagen has made a Pta120bn cash injection to rescue Seat's 1993 balance sheet conditional on the closure of the Barcelona plant before the end of this year.

The draft of the government's labour reform law, which is expected to be on the statute book by next summer, allows companies to reduce their labour force for organisational and production reasons – both of which could be plausibly argued by Seat following the opening of its new plant – and to pay off redundant workers with 20 days of salary per year worked up to a maximum of 42 months of pay.

Had this new legislation been in place two years ago, when Seat was making money and planning to shift its production out of its Barcelona base, the car producer could have adjusted its labour force far less painfully.

Under the current labour legislation, a company has to argue impending bankruptcy, as Seat has done over the past two months, before it can lay off workers. Or it must be prepared to pay unfair dismissal settlements which by law represent a minimum of 45 days of salary per year worked – an expense that is even greater than the lay-off procedure chosen by Seat.

SPD-union plan for chemicals

By Quentin Peel in Bonn

Germany's embattled chemical industry, facing soaring costs from tough environmental legislation, was yesterday offered a new plan to secure its long-term future.

The opposition Social Democratic Party (SPD) and the 800,000-strong chemical workers' union, IG Chemie, published a joint paper seeking to reconcile the demands of strict environmental controls with the need to preserve jobs in the sector.

Key recommendations include the simplification of environmental legislation, acceleration of planning procedures to speed up the introduction of environmentally-friendly products, and a clear timetable for the introduction of tougher rules on the avoidance and disposal of harmful waste products.

At the same time, the SPD remains firmly committed to tougher environmental controls, including the use of criminal legislation to prosecute offenders.

The joint paper, published with top-level support from Mr Rudolf Scharping, the SPD leader, and Mr Hermann Rappe, leader of IG Chemie, the chemical workers' union, amounts to clear recognition of the unique problems facing the industry because of Germany's strict environmental legislation. The SPD, which is heavily involved in policing the industry through its control of a majority of Germany's 16 federal states, wants to introduce new environmental tax reforms aimed at promoting "ecological and economic innovation". IG Chemie is clearly concerned at the employment implications for the industry, and stresses instead the need for a working group involving other groups to define the precise aims of such new tax reforms.

Both sides agree that the problems of the German chemical industry are not simply a result of excessive costs arising from the whole range of environmental standards, but rather a reflection of inadequate research and investment in environmentally-friendly techniques.

They argue that the German chemical industry will only be able to compete successfully on the international market if it remains at the forefront of environmental technology. But they agree on the need for a reduction of red tape.

"What is required is an increase in transparency, and acceleration of procedures," they say. "One aim might be the creation of a single volume of environmental legislation." They also propose an enquiry to identify the most serious bottlenecks in new investment in the industry.

SA clash looms on KwaZulu homeland

By Patti Waldmeir in Cape Town

South Africa's multi-party transitional executive council yesterday set itself on collision course with right-wing parties, threatening legal action against the KwaZulu black "homeland" of Chief Mangosuthu Buthelezi and blocking a development loan to nominally independent Bophuthatswana.

The African National Congress, which dominates the TEC together with its political allies, has been flexing its muscles in the council since its installation a week ago.

Last week, the ANC provoked a showdown with the government by insisting the TEC urge withdrawal of the Internal Stability Unit from the Bhambayi squatter camp, Natal, and the East Rand townships near Johannesburg. Yesterday, Mr Hernus Kriel, law and order minister, agreed to withdraw all but a token ISU force from Bhambayi. A decision on the East Rand was delayed pending talks between police and residents.

Another showdown with the government loomed over whether police will be deployed in northern Natal, as demanded by the TEC last week. Such deployments would bring the TEC into confrontation with the KwaZulu government, which administers parts of northern Natal as a self-governing state.

ANC officials admit the TEC cannot force Mr Kriel to act (it can only recommend action), but they want to show the TEC has power in policing, which is important to free and fair elections. But sending police to northern Natal could provoke conflict with KwaZulu, which rejects the TEC's authority.

The TEC said yesterday it will pursue legal action to force KwaZulu to comply with another of its demands: that the KwaZulu police commissioner furnish information on so-called "hit squads" in KwaZulu. So far, he has refused.

The TEC also took on Bophuthatswana, KwaZulu's ally in the right-wing Freedom Alliance, when it forced suspension of a R216m (£43.2m) loan from the Development Bank of Southern Africa to the homeland, on grounds that all such loans need prior TEC approval.

Record for single month is sign of growing bad-loan burden

Debts of Japan bankruptcies jump by 25.6%

By Robert Thomson

Outstanding debts of Japan's corporate bankruptcies in November jumped 25.6 per cent from a year earlier to Y1,032bn (£6.3bn). This is a record for a single month and a sign of the mounting bad-loan burden being carried by the country's banks.

Teikoku Databank, the credit research agency, said the debt figure was boosted by the collapse of Muramoto Construction, which owed about Y590bn.

However, a continuing increase in recession-related bankruptcies was keeping the failure rate at an unusually high level.

The agency said 1,176 companies failed during the month, a fall of 11.4 per cent from a year earlier and 6.5 per cent from October.

Another sign of economic weakness came in figures released yesterday, showing a 10.5 per cent fall year-on-year in Tokyo department-store sales during November, the third consecutive month of double-digit decreases.

The Japan Department Stores' Association said clothing sales were 12.4 per cent lower and those of household articles slipped 17.1 per cent.

The Economic Planning Agency suggests that a recovery in consumer spending and capital investment will lead a broader recovery, but a 13.5 per cent fall in machinery orders in October, against a year earlier, indicates that companies are still reducing capital spending.

Compared to a month earlier, the EPA said private machinery orders dipped 15.2 per cent and those from the public sector fell 8 per cent, while exports increased 2.4 per cent.

The Yamaichi Research Institute of Securities and Economics said Japan is likely to have zero growth next year, if the yen remains at around Y110 to the dollar, public works spending is increased by Y5,000bn and income taxes are cut by Y6,000bn.

Companies fined over bid-rigging

By Michiyo Nakamoto in Tokyo

Japanese legal authorities yesterday convicted and fined four printing companies for violating anti-monopoly rules by rigging bids for contracts with a government agency.

The Tokyo High Court convicted Dainippon Printing, Japan's largest printing company, as well as Toppan Moore, Hitachi Information Systems and Kobayashi Kirokushi of rigging bids for sticker supply contracts with the Social Insurance Agency and imposed fines of Y4m (£25,100) each.

The conviction comes against a background of persistent criticism by the US that Japan's anti-monopoly rules were too lax, and pressure to strengthen enforcement of its anti-monopoly act particularly against exclusionist trade practices such as bid-rigging.

US officials have been particularly critical of alleged bid-rigging by Japanese construction companies of public works contracts. However, no conviction has ever been made against bid-rigging in the construction industry despite several orders by the Fair Trade Commission against construction companies to stop such practices.

Judge Masayoshi Kondo described the case as particularly serious because the convicted parties continued to rig bids in defiance of the FTC order and with the sole purpose of sharing the profits among themselves.

The bid-rigging by the companies cost the agency and taxpayers Y420m in damages in fiscal 1992 alone, he said. The fine of Y4m each is close to the maximum Y5m for cases brought before January when the maximum penalty was increased to Y100m.

The US has been highly critical of the Japanese practice of designated bidding, which creates an environment that easily allows bid-rigging.

The High Court in its ruling noted that the Social Insurance Agency had inadvertently co-operated in the bid-rigging by narrowing the number of designated bidders and basing its assumed successful bids on the estimates submitted by them.

New deal to balance calls on aid

By David Buchan in Paris

Richer governments responsible for most of the flow of official aid to poorer countries yesterday came out with a new formula to balance traditional needs of the third world and newer aid demands from eastern Europe.

The Organisation for Economic Co-operation and Development's development assistance committee said it was putting eight of the poorest Caucasian and central Asian republics of the former Soviet Union on its designated list of countries receiving official development aid. This would count towards the OECD governments' pledge to try to raise their aid budgets to 0.7 per cent of their national output.

By contrast, the committee has decided to put central European countries, the Baltic states, Russia, and some relatively richer ex-Soviet republics such as Belarus and Ukraine on a separate list with some Gulf oil states which no longer count formally as official-aid recipients. Assistance to these countries would not count towards meeting the UN-approved 0.7 per cent target for OECD members' aid budgets. This compromise is a response to the worries of third world clients that aid flows will now be diverted to eastern Europe.

So far, OECD officials said, there has been no diversion. Concessional official aid to the former Soviet bloc has been running at $8bn (£5.3bn) a year since 1991, while soft-term official aid to the third world has stayed at around $60bn. Nor are central Europe, Russia, or western ex-Soviet republics likely to be penalised by the new categorisation, officials claimed.

Brazzaville violence leaves 60 dead

At least 60 people have been killed in renewed political violence sweeping the Congo capital Brazzaville, Reuter reports from Brazzaville. Fighting broke out on Friday between government supporters and opposition militants.

Arafat visits London with Mideast peace in balance

By Roger Matthews, Middle East Editor

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, arrived in London on a two-day official visit yesterday with the future of the Middle East peace process finely balanced.

The PLO and Israel agreed on Monday that negotiations over the implementation of the September 13 declaration of principles were in crisis following the fruitless meeting between Mr Arafat and Mr Yitzhak Rabin, Israel's prime minister, in Cairo at the weekend.

The two sides had set a target of December 13 for the start of Israeli troop withdrawals from the Gaza Strip and the West Bank town of Jericho. But the talks have foundered over the control of border crossings, the size of the territory to be administered by the Palestinians around Jericho, and the Israeli troop presence required to protect Jewish settlers in Gaza.

The two leaders have agreed to meet again before the end of next week and Mr Arafat repeated yesterday that he was still hopeful an agreement could be reached.

The failure of Israel to begin the troop withdrawal as scheduled has sparked bitterness among Palestinians in the occupied territories, where violence again flared yesterday with two Arabs shot dead in Gaza and another 12 wounded during clashes with Israeli forces.

Mr Douglas Hurd, British foreign secretary, yesterday urged Mr Arafat to be firm in opposition to violence and to reassure Israelis the risk they had taken for peace was reciprocated. He also urged the PLO to persuade Arab countries to relax the trade boycott against Israel and to build up bilateral contacts as soon as possible.

Before leaving Strasbourg for London yesterday, Mr Arafat said that the entire credibility of the peace process would be a stake if Israel failed to honour the April 13 deadline for completing its military withdrawal from Gaza and Jericho. The PLO leader was responding to a statement from Mr Rabin in which the Israeli leader stressed there was nothing sacred about any of the dates set out in the declaration of principles signed in Washington.

If Mr Rabin said that, "there is doubt for the credibility of the peace process," added Mr Arafat. The PLO leader is due today to hold talks with Mr John Major, the UK prime minister, before leaving for Dublin.

Meanwhile the remaining 215 Palestinian deportees from the 415 who were expelled a year ago from the occupied territories to southern Lebanon, were informed by Israel that they could return home today. Most support radical Islamic groups.

PLO chairman Yassir Arafat and his wife, Suha, arriving at London's Heathrow Airport yesterday for a two-day visit

Associated Press

Digging for a new identity

Robert Thomson on life without coal in northern Japan

Surrounded by pieces of timber that were to be fashioned into a wooden box, the former coal miner forced together the tongues and grooves of two sides that would not quite fit. He crouched with a dozen other men who had shared a mine shaft until last year, all attempting a conversion to carpentry in the hope of finding an income and a life after coal.

Changing identity in Japan does not come easy. These miners had always introduced themselves by company name first, Mitsui, and family name second. They had a clear hierarchy in the mine shaft, a hierarchy dismantled on the retraining room floor, where each pair of calloused hands starts with the same planks of wood and is judged on the symmetry of a completed box.

The coal miners of Ashibetsu, in northern Japan, could be unwitting trend-setters. Just as Mitsui has closed an unprofitable mine, Japanese manufacturers are contemplating closing loss-making factories and wondering where to put middle-aged administrative workers, who still hope their company will keep the promise of lifetime employment.

As the miners must cope with a change in occupation, small communities which have lost an old identity are attempting to fashion a new one. In Ashibetsu, they have a saying "from *tanko* to *kanko*", from coal mines to tourism, which is supposed to replace the black stuff as the fuel of local wealth.

Theme parks are a popular choice for local governments casting around for a new character, and Ashibetsu has built a Canadian Village. Its claim to fame is Japan's largest lavender field, but it is far from Tokyo and for much of the winter the park is snowed under and the six imported Canadians are idle.

An hour's drive away, another town has built a German theme village and the countryside is dotted with little bits of other countries. But, in Ashibetsu, the coffee shop in the town's centre still has a lump of coal on a pedestal, and the local candy comes in the shape of just-mined coal.

Mr Katsuhiro Tainaka, aged 54, now a trainee carpenter, was among the last 373 miners at Mitsui Ashibetsu. He was the local organiser for the regional head of the miners' union, a position of subservience and of importance: "I guess it's a Japanese way of looking at things, but he was my lord and I would still do absolutely anything for him."

Having worked in a mine for 35 years, Mr Tainaka is adjusting his vision to the harsh light above ground. His wife Kazue says he eats less but has already put on nearly half a stone and looks pudgy: "When he was working, I would cook plate after plate of food, and he would just eat and eat. He would be too tired to talk."

The couple met on a holiday camp run by the Lenin Society three decades ago, when miners were adopted as popular symbols of the working man by the country's communists. In those days, Mr Tainaka thought a revolution inevitable, but the union and the company gradually merged. When Mitsui announced that the mine would have to close, the miners understood that cheap imports had made them redundant and accepted the decision.

Mr Tainaka keeps his mining hat on the mantelpiece, beside the shining blackness of a coal lump that he hauled out before the shaft was closed. Playing with a grandson occupies his time, but his income has fallen by more than half and the loss of mateship is more damaging: "When you are in a mine, people depend on you. You can't make a mistake. You have to work together."

Of the workmates with him at the end, a third have left town, a third have new jobs, and about a third are being retrained. Two have committed suicide. The Tainakas have stayed in the mining company apartment, but most of the blocks lining the town's roads are empty and sales in local stores have fallen about 20 per cent this year.

Shopkeepers complain that a new road intended to be Ashibetsu's lifeline is strangling them. Instead of shopping locally, Mr Tainaka and other residents drive 40 minutes to the nearest city, where cheaper discount stores outside the old distribution networks have sprouted in the past two years.

The speculative binge of the late 1980s bypassed Ashibetsu, but the area is nonetheless suffering trauma. Investment losses have put large companies under extra pressure to close local factories and to halt fresh investments, leaving a just-finished industrial park waiting for its first customer. And the yen's appreciation this year means Ashibetsu is up against northern China and Thailand in the tough contest for scarce funds.

Local governments have not lost enthusiasm. Mikasa city, another old coal mining centre in central Hokkaido, has a population of 16,126 and is shedding people at the rate of 400 a year. Mr Ginichi Aoki, the mayor, delivers a vivid description of Mikasa's bright future. He spreads maps out on the table, and points to the high-tech centre, the culture zone, the industrial parks and the tourism belt.

"I am going to Tokyo this weekend to tell a mayors' conference about our plans. We are determined to attract people to live and visit here. We will make this a happy place," Mr Aoki insists.

Outside his office, a traffic signal's electronic chirping beckons absent pedestrians to cross. A banner hanging across the front of the civic centre proclaims that the town is aiming for 500 days without a road accident. Of all the grand plans, that is the most attainable in Mikasa's empty streets.

Michiyo Nakamoto on a Japanese employment market mismatch

Tough job for the job seekers

The sign on the front entrance to the public employment office in central Tokyo is inviting. "Hello, Work" it proclaims to the 1,000 or so people who approach the grey building each day in search of work.

But inside, the scene in the smoke-filled counselling room crowded with be-suited men and women is grim. Many of the panels which should have contained advertisements for job openings are marked with a sign saying "No offers". The number of job offers advertised at the Iidabashi Public Employment Security Office has halved since two years ago. The number of job seekers visiting the office each day has doubled in three years.

As the recessionary pressures facing the Japanese economy have continued unabated, more companies are finding they can no longer afford to honour the Japanese tradition of lifetime employment.

"Japanese companies do not lay off employees, because that is socially unacceptable," says Mr Kazutoshi Saiki, vice-chief of business at the employment office. "But there are a growing number of people, older men in particular, who are being encouraged to retire early. And when that happens, it becomes too uncomfortable for them to stay with their company."

Officially, unemployment in Japan is 2.7 per cent – still moderate compared with the west. The ratio of job openings to job seekers throughout the country has reached 0.67, the lowest in more than six years.

At Iidabashi there are still 1.32 job offers per job seeker but it is especially difficult for two groups of people – general office workers and those over 40.

To a larger extent than in the past, growing unemployment in Japan is a white-collar problem. Most of those flipping through folders or talking to staff behind the counters at the employment office in Iidabashi are middle-aged navy-suited men, and women both young and old. For general office workers, the jobs to job seekers' ratio is as low as 0.32. Two-thirds of calls received by an employment hotline set up by an association of lawyers in mid-November, were from men and women over 45.

When hiring from outside, most Japanese companies value personality, ability to fit in with the group or attitude to work above qualifications or past experience. It is also felt that paying an outsider an attractive salary could damage the morale of long-serving employees who are having to work their way up the corporate ladder.

As a result, people looking for a second career often feel that the pay and status being offered to a newcomer fail to reflect their true worth.

Furthermore, companies seeking extra employees are medium- to smaller businesses which generally cannot meet the more attractive conditions offered by larger companies.

Things are likely to get worse before they gets better. According to a Labour Ministry survey of manufacturing companies last month, nearly half said they felt the strains of excess labour.

Mr Saiki argues that the Japanese employment system, which creates general managers rather than specialists and which prizes loyalty over qualifications, has created this mismatch between job seekers and jobs available. Unless Japanese society itself changes, things will not improve for middle-aged people looking for new jobs, he says.

NEWS IN BRIEF

Saddam to free two westerners

Iraqi President Saddam Hussein yesterday ordered a Frenchman and German to be released from prison where they were both serving eight-year sentences for entering the country illegally from Kuwait, Reuter reports from Baghdad.

The order to free Mr Jean-Luc Barierre and Mr Kai Sondermann followed visits to Iraq by two French members of parliament and a senior German politician.

Last week Iraq freed three Britons after a personal appeal by former British prime minister Sir Edward Heath, who on returning to London urged resumed diplomatic ties with Iraq.

But Ms Roselyne Bachelot, one of the French MPs who helped secure freedom for her compatriot held out little hope for automatic improvement in ties between France and Iraq.

India criticised over Kashmir

Indian government security forces have resorted to serious violations of human rights in their fight against armed opposition groups in the states of Jammu and Kashmir and Punjab, Amnesty International reports today, writes Alexander Nicoll. The human rights group says 200 people have disappeared from the custody of the security forces in the past four years and that officials had ignored court orders to clarify their fate.

HK commercial crime raids

Hong Kong's Commercial Crime Bureau yesterday raided seven companies in the second big commercial crime investigation in three months, writes Louise Lucas in Hong Kong. The companies are World Trade Centre Group, Temson Pacific, Rivera (Holdings), Shun Tak Holdings, Far East Holdings International, Far East Consortium International and Tse Sui Luen Jewellery (International). The investigation focuses partially on companies under the helm of Mr Stanley Ho, Macao businessmen and casino king.

Zaïre province seeks autonomy

Zaïre's mineral-rich Shaba province, reverting to its former name Katanga, has declared autonomy and says it will impose taxes on all goods entering or leaving the region, Zairean government ministers say, Reuter reports from Kinshasa. Mr Nguza Karl-i-Bond, deputy prime minister and head of the Kantangese nationalist Uferi party, proclaimed autonomy over the weekend.

Nigeria delays conference

Nigeria's military government has postponed until March a constitutional conference which was scheduled for January when General Sani Abacha deposed the interim government last month, writes Paul Adams in Lagos. The delay follows the regime's nomination last week of state governors, reversing an earlier plan to appoint civilian administrators.

Indian brokers start protest strike

By Stefan Wagstyl in New Delhi and R C Murthy in Bombay

Indian stockbrokers went on strike yesterday in protest at a decision by the Securities and Exchange Board of India (Sebi), the market watchdog, to suspend forward trading in securities.

The authorities imposed the ban on Monday in an attempt to slow a rapid surge in share prices, up 29 per cent from early November as investors rushed back into the market in large numbers for the first time since last year's Rs40bn (£850m) Bombay securities market scandal.

The intervention triggered a sharp sell-off on kerb (unofficial) markets and on the Madras Stock Exchange, the only exchange which stayed open yesterday, where the local index fell 3 per cent.

The autumn rally, which took the Bombay Stock Exchange's index of leading stocks to an 18-month high, was started by overseas investors buying shares for the first time since India last year opened its stock market to foreigners.

The authorities acted this week out of concern that too many local investors are trying to take advantage of this wave of foreign buying by trading in the forward market, where purchasers can carry outstanding purchases from one settlement period to the next without paying for them in full, and so can acquire control of large volumes of shares with relatively little money.

The informal forward market, which accounts for 70 to 90 per cent of trades, has long been a target of Sebi's attention. Officials believe its operations allow infringements of securities regulations to be disguised. Brokers say the market, called *badla*, is vital for efficient trading.

Officials are particularly anxious to avoid a repetition of last year's scandal in which money was illegally siphoned from banks and invested in speculative stock market trading.

A parliamentary committee is completing a report into the affair which is expected to pin some blame on the authorities for failing to monitor the markets adequately.

The last time the forward market was suspended was during last year's scandal. This time Sebi has put no time limit on its order. It has instructed brokers to clear half their forward positions by January 6 and the rest by January 20.

Brokers are furious at the board's action because forward trading accounts account for much of their business. Foreign investors expressed concern that the board's intervention increased the uncertainties of investing in India but added that the liquidation of forward positions would increase the supply of stock to long-term investors. Mr Mark Bullough, director of the Indian operation of Jardine Fleming, the international investment bank, said: "Overall, foreign financial institutions do not appear unduly concerned by this particular regulatory change."

Pakistan sets arms deadline

By Farhan Bokhari in Islamabad

Pakistan yesterday set a deadline for resolution of a dispute over US arms sales and said it would go shopping elsewhere if the matter remains unresolved beyond next April.

Mr Assef Ahmad Ali, foreign minister, told three visiting US senators Pakistan would look to other countries if the US arms sales, suspended three years ago, are not restored. Islamabad has already paid over more than $1bn (£800m) to buy items including 71 F-16 fighter aircraft.

"No country can allow its security to be compromised," Mr Ali said after meeting the delegation including Senator Larry Pressler, who sponsored the amendment requiring the US president to verify Islamabad was not capable of producing nuclear weapons before economic and military aid could could be given.

Last month, the White House sent a draft law to congress which would the president greater freedom to back aid to any recipient country, if that would promote US interests. Pakistan sees that as a breakthrough in having aid restored.

Ethanol to escape pollution formula

By George Graham in Washington

The Clinton administration is poised to overturn its predecessor's decision to include ethanol in a new petrol formula designed to reduce pollution.

The US Environmental Protection Agency is expected to announce tomorrow that it will return to the formula originally negotiated with oil companies and environmental groups in 1992, cancelling President George Bush's decision to add ethanol.

Mr Bush's original decision was widely seen as an electoral concession to maize growers, whose crops can be used to produce ethanol. Ethanol was a sensitive issue in important electoral states such as Illinois.

Under the Clean Air Act, reformulated petrol which contains more oxygen, and should therefore burn more cleanly, must be sold from 1995 onwards in nine US cities with high smog levels. The reformulation programme could eventually be extended to many other cities.

Ethanol is already incorporated in reformulated fuel sold in the winter in cities with high levels of carbon monoxide, but the EPA has questioned whether its use reduces other smog-forming chemicals.

The inclusion of ethanol can make petrol evaporate more rapidly, sending polluting chemicals into the air. The Bush administration's decision, therefore, would have shifted more of the cost of complying with the act on to the shoulders of oil refiners, who would have had to develop a less evaporative formula of petrol to offset the effects of the ethanol.

Ethanol has been strongly supported by a potent political coalition. Besides corn-growers in the mid-western states, ethanol is heavily touted by agribusiness companies such as Archer Daniels Midland, one of the most generous contributors to the political campaign funds of both parties.

Homosexual protection reinstated

A judge in the US state of Colorado ruled yesterday that a voter-approved measure that would have banned all state laws protecting homosexuals is unconstitutional, Reuter reports from Denver.

The initiative, by which the state constitution was amended in November 1992, set off a national boycott and has cost the state millions of dollars in revenue from conventions.

Denver District Court Judge Jeffrey Bayless struck down the measure yesterday, ruling it unconstitutional. He had earlier blocked implementation of the amendment until his final decision.

The measure would have repealed all existing local ordinances designed to protect homosexuals from discrimination, while prohibiting the enactment of similar laws in the state.

Lower rates set off strong spending rise

By Michael Prowse in Washington

Lower US interest rates are sparking a strong increase in consumer spending on durable goods, official figures indicated yesterday.

The Commerce Department said retail sales rose by 0.4 per cent last month and by 7.1 per cent in the year to November. However, sales of durable goods – such as furniture, household equipment and building materials – rose by 0.9 per cent and 13.7 per cent in the same periods.

Car sales were down fractionally last month, following a 5 per cent gain between September and October and a 14 per cent increase in the past year. Durable goods are sensitive to interest rates because most consuemrs borrow to finance most purchases.

The figures are not adjusted for inflation, which is running at an annual rate of just under 3 per cent in the US.

Officials also sharply revised up sales figures for October to show a gain of 1.8 per cent from September, rather than 1.5 per cent as previously reported. Sales of durable goods rose a sharp 3.5 per cent.

The figures are the latest in a series of robust economic statistics, including a sharp fall in the jobless rate to 6.4 per cent last month and big increases in factory orders and production.

Mr David Munro of High Frequency Economics, a New York consultancy, said the sales figures pointed to growth of real consumer spending at an annual rate of "at least 4.5 per cent" in the current quarter.

However, he added, a reduction in the pace of consumer spending was likely early next year because real disposable incomes were growing at an annual rate of only about 1 per cent. Retrenchment by consumers would lead to slow down in real economic growth from an annual rate of about 4.5 per cent currently to 2-3 per cent.

Segregation revives in American schools

By Jurek Martin, US Editor, in Washington

Schools in the US are becoming more segregated by race, thus reversing 30 years of progress and of policy designed to produce more integrated classrooms, says a new, federally commissioned study.

The Harvard Project on School Desegregation attributed its findings more to higher birth rates and a new wave of immigration than to the flight of white Americans to the suburbs.

Mr Gary Orfield, its director, gloomily concluded: "The civil rights impulse of the 1960s is dead in the water and the ship is floating backwards to the shoals of racial segregation."

The study found that 66 per cent of all black students and 74 per cent of Hispanics attended "predominantly minority" primary and secondary schools in the 1991-92 academic year, the highest percentages for both communities since 1968.

In 1954, the US Supreme Court ruled – in Brown vs the Topeka, Kansas, Board of Education – that segregated education was unconstitutional. Flowing from that landmark judgment, government policies, especially in the 1960s and 1970s, were primarily directed to promote integration, in some case by court-ordered busing of school children.

These policies were substantially reversed by the Reagan administration. Mr Orfield ascribed the study's findings to the delayed effect of this change in approach.

The south, the target of the most bitter integration battles, is now less segregated in education, but recent trends suggest it is moving in the same way as the rest of the country.

The biggest concentration of segregated schools is found in the larger cities, primarily in the north and north-east. In state terms, Illinois, Michigan, New York, New Jersey and Pennsylvania contain the most predominantly black schools; New York, New Jersey, Texas, California and Illinois the most schools predominantly given over to Hispanic students.

The study makes the explicit, but unsurprising, link between poverty and the concentration of minorities in schools. Black and Hispanic students, it said, were much more likely to be in schools with poor academic records.

It recommends redrawing and enlarging school district boundaries to encompass both inner cities and suburbs, thus making it possible for students to have greater choice. It doubted that existing federal programmes to improve the quality of inner city education were sufficient.

Brazilian drug capture

Police have recaptured a reputed drug baron who was among Brazil's most wanted criminals, authorities said yesterday, Reuter reports from São Paulo

Mr Abidiel Pinto Rabelo, 39, was seized by detectives on Monday in Campo Grande, capital of the central state of Mato Grosso do Sul, when he left the luxury house in which he was living with his family.

He went on the run last July after a gang of 10 armed men had released him from police custody while he was returning from a dental appointment in São Paulo to continue a 28-year jail term.

Rabelo was originally arrested in July 1991, when police found more than half a ton of cocaine in a truck he was driving.

He is a suspected to be a member of the drug mafia in the far-western Brazilian state of Rondônia, on the border with Bolivia.

Canada's care under the spotlight

Bernard Simon on a welfare system that some say needs re-targeting

A visitor to Toronto, Montreal or Vancouver can quickly spot some obvious differences between Canada and the US. Homeless "street people", an all-too-common sight in cities south of the border, are rare. Even the most down-at-heel parts of Canadian cities are nowhere near as decrepit as New York's Harlem, the south side of Chicago or east St Louis.

One reason is Canada's comprehensive and generous social security system. Anyone out of work can claim unemployment insurance of up to C$425 (£215) a week for almost a year. When that runs out, the welfare system kicks in with payments of up to C$1,530 a month for a family of four, plus benefits such as subsidised housing and free medicines.

Pensioners receive as much as C$841 a month. Even rebellious teenagers who storm out of home are eligible for "student welfare", with few questions asked.

Canada's healthcare system offers a panoply of benefits found in few other countries. Financed by company payroll taxes or individual levies (depending on the province), it provides comprehensive and sophisticated treatment for everyone through a doctor of their choice.

But the outward appearance of a compassionate and successful social security net masks some deep-seated flaws.

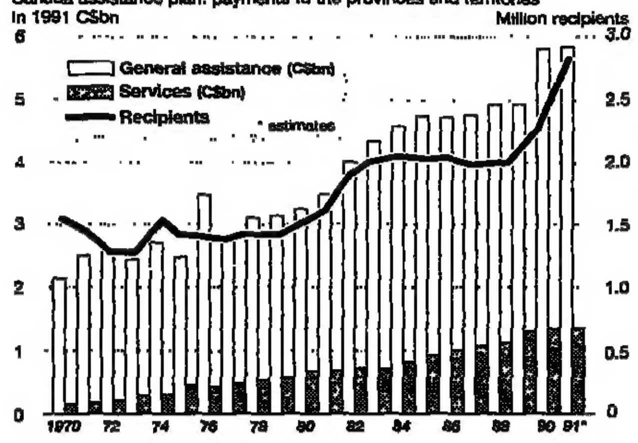
There is a consensus that the programmes have lost direction, failing to solve the problems of those who need them most, while lavishing benefits on many for whom they were never intended.

Welfare, which was at first aimed at society's most disadvantaged people, has increasingly become a haven for the able-bodied unemployed.

Professor Paul Hobson, an economics professor at Acadia University in Nova Scotia, and Ms France St-Hilaire, research director of the Institute for Research on Public Policy in Montreal, estimated in a recent article that only 30-50 per cent of Canada Assistance Plan recipients – the programme of last resort – come from such vulnerable groups as the disabled, elderly or single mothers, down from 90 per cent in the early 1970s.

Canada

Canada assistance plan: payments to the provinces and territories in 1991 C$bn



Source: Health and Welfare Canada, Canada Assistance Plan Annual Report, 1991-92

Unemployment insurance is under fire both for its generosity and its structure, under which the duration of benefits varies according to regional unemployment rates. According to the Organisation for Economic Co-operation and Development's latest annual report on Canada, the system reduces "the incentive and the mobility of unemployed individuals in finding a new job".

Few politicians dared discuss the highly-charged topic of social security and health-care reform during the general election campaign last October. Since then, however, policymakers of all persuasions have acknowledged the need for a far-reaching overhaul.

"I'm convinced that the time has come when the political will exists to make changes," says Prof Hobson.

The catalyst has been the spiralling cost of the programmes at a time when the federal government and the provinces are under intense pressure to rein in widening budget deficits.

Unemployment insurance and social assistance payments now make up almost 3 per cent of gross national product, compared with 1 per cent in 1965.

According to the OECD, Canada has overtaken Sweden with the highest per-capita health care spending among countries with national health systems.

With social security, health care and education making up about 60 per cent of total outlays by all levels of government, economists agree that wholesale reform of these programmes is the only way to make a meaningful dent in budget deficits.

Changes so far have been mostly on the margin. For instance, the provinces have gradually trimmed the list of subsidised medicines available to senior citizens. The federal government earlier this year left numerous loopholes in a law which withholds unemployment insurance from people who voluntarily leave a job.

But the challenges of going further are enormous. Devising more narrowly-targeted programmes with incentives for recipients to escape the welfare trap is only part of the problem. Social security funding raises issues that go to the heart of Canada's national values and constitutional make-up.

Many Canadians view their social security system as one of their defining hallmarks. The attempt to trim benefits will almost certainly raise a political storm.

Responsibility for funding and delivering social security is split between the federal government and the 10 provinces. But the division is a messy one. Many programmes delivered by the provinces are partly financed by federal tax revenues.

Ottawa's hold on the purse-strings has left the provinces open to arbitrary cuts. Since 1990 for instance, the federal government has capped the growth of its transfers under the Canada Assistance Plan to the three richest provinces – Ontario, Alberta and British Columbia.

It has also frozen the per capital entitlement for health care and higher education transfers. The federal contribution to these programmes in Ontario has dropped to 31 per cent from 52 per cent in 1980. The drop helps explain why provincial deficits have soared in recent years, and why Canadian provinces are now among the most active borrowers on international capital markets.

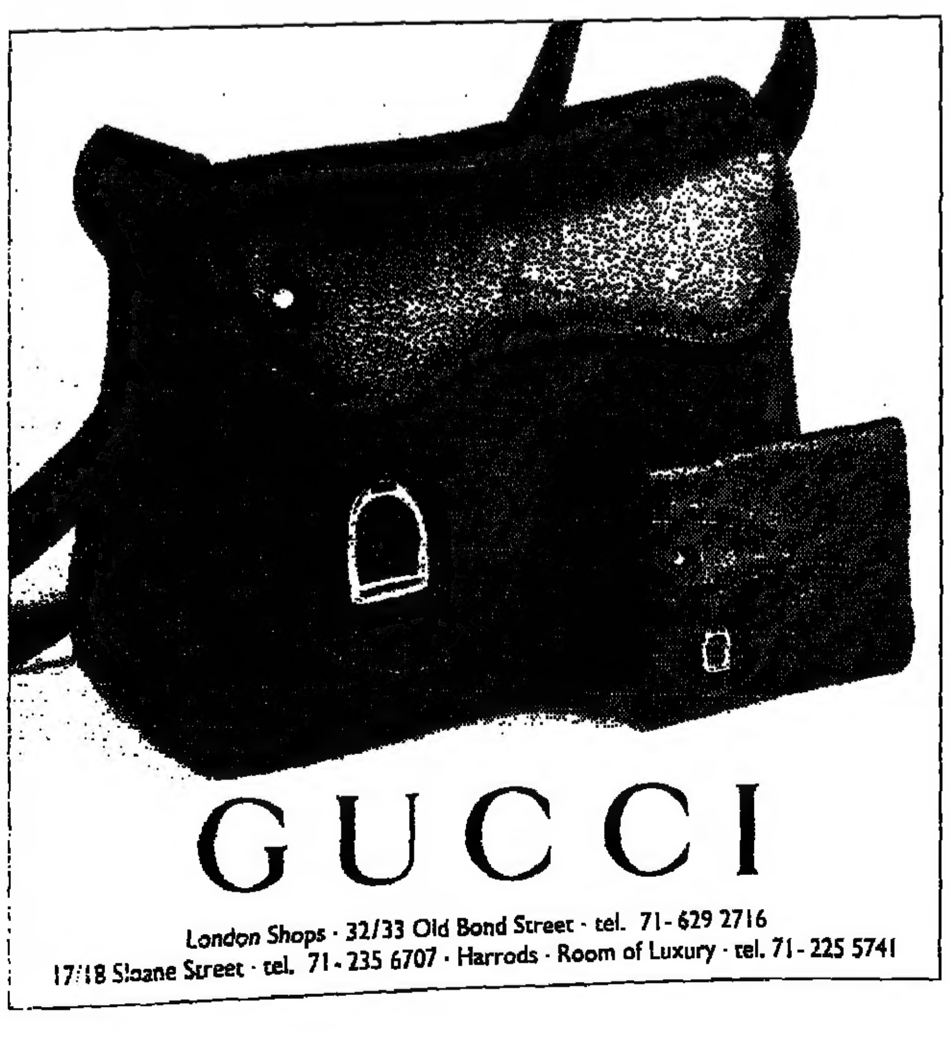
The provinces have suggested that instead of relying on transfers from Ottawa, they should be given wider taxation powers themselves.

Such proposals raise fears, however, that a fundamental tenet of the Canadian federation – uniform standards of social services across the country – will be undermined as each province tailors its suit to fit its cloth. According to this argument, provinces with the broadest and most stable tax base would soon be offering the best social services.

Already, some are toying with the idea of health care user-fees. Under the existing Canada Health Act, any province which imposes such levies forfeits federal funding.

The looming debate on social programmes will clearly span a far wider range of issues than how to get people off the dole and the welfare rolls. Canadians also face some tough decisions about the kind of country they want to live in.

This is the ninth article on welfare states around the world. Previous articles appeared on October 25, November 3, 8, 17, 19, 24, 30, December 10



US opts to bide its time on audio-visual battle

By David Dodwell, World Trade Editor, in Geneva

Mr Jack Valenti, head of the Motion Picture Association of America, nursed his disappointment with fortitude in Geneva yesterday over exclusion of the audio-visual sector from the Uruguay Round package, in spite of three days without sleep, and a day without food.

"The real losers are the people of Europe," he said: "They will have much less choice."

But in Paris there was little sign that locals appreciated their loss. France's ministers of culture and communication, echoed by the country's film industry, claimed they had won a famous victory in keeping audiovisual broadcasting out of the Gatt agreement with the US.

"We got what we wanted from the start, which is basically the cultural exception," said Mr Alain Carignon, the communications minister.

Mr Edouard Balladur, French prime minister, will today put the EU's draft Gatt accord with the US before the French parliament, confident of winning approval.

Mr Valenti was emphatic that the row of recent weeks had been much less about the preservation of European culture than France and other EU protagonists have claimed: "If you equate Europe's game shows and talk shows with Molière and Racine, then that's about culture. But the culture issue is a transparent cloak, and I want to disrobe Europe on this."

He argues that the US has captured a rising share of film showings in Europe – now estimated at 80 per cent – because of the poverty of offerings from European film-makers.

He noted that the rise in the US share of the French film market was due not to rising US showings, but to falling audiences for French films. Between 1983 and 1992, audiences for French films in French theatres fell from 90m a year, to 48m a year, he said. US showings declined slightly, from 70m to 68m.

For many Uruguay Round negotiators, the row over access to Europe's film and television markets has been a bemusing irrelevance, an essentially bilateral affair. As the dispute has dragged closer and closer to today's Uruguay Round negotiating deadline, it has become a matter of increasing frustration and annoyance.

Negotiators yesterday could not celebrate the outcome, but were at least happy with the fact that it was at last out of the way – with a bare 40 hours to go before the guillotine fell on negotiations.

US negotiators have insisted that they have been immensely flexible in the audio-visual dispute, steadily relaxing their demands as the past three months of negotiation have drawn on.

At 3am yesterday, the bottom-line US proposal included four components:

- The EU would be free to continue reserving 51 per cent of local television programming to European productions, but the US wanted this to apply to the 24-hour day as a whole. At present, for example, France bars non-European programmes from all prime time.
- For satellite, cable and other "signals" of the future, where there may soon be as many as 300 signals, the US was willing for the EU to reserve 50-70 per cent of all channels, but was opposed to EU demands that each and every channel must carry 51 per cent European content. Among existing channels, this could bar the Comedy Channel, Nickelodeon, the Disney channel and the Discovery Channel, and create problems for Sky One and Sky Movies Plus, for example.
- US artists and producers should be entitled to "their fair share" of the levies raised on blank audio and video tapes, but would commit to invest the funds raised in Europe's film and television industries.
- Pay-per-view and video-on-demand channels should not be restricted, since consumers make a free choice to watch one film rather than another, and pay for that choice.

What the EU finally offered in the early hours of yesterday morning was a standstill on existing legislation, providing a binding EU commitment that no more than 51 per cent of programming would be reserved; and a commitment to begin open-ended negotiations on how the audio-visual sector should be handled multilaterally.

Left with the choice of rejecting the EU proposal, or accepting a deal which "would have enshrined the principle of limiting viewers' rights to see what they wish...and recognised a system which denies artists and producers the right to funds they have legally earned through royalties," Mr Mickey Kantor, the US trade representative, opted to reject the deal.

"We have decided not to accept a meaningless fig-leaf," he said.

"We can best advance the interests of our artists, performers and producers – and the free flow of information around the world – by reserving all our legal rights to respond to policies that discriminate in these areas."

Mr Valenti last night was less focused on whether retaliation was possible.

"I'm flying home to get a good night's rest, and then we will try to sort out what the future holds," he said.

Hardline French farmers' unions yesterday protested against the US-European Union deal on agricultural trade, David Buchan reports from Paris. Some 300 members of Co-ordination Rurale demonstrated in central Paris and a delegation tried to get to see Mr Edouard Balladur, the prime minister, but were blocked by riot police.

In the Marne area east of Paris, some 700 farmers used tractors to block roads yesterday. There were similar protests in the Lille and Calais areas, and in the south of the country.

EU to consider Uruguay draft today

By Lionel Barber in Brussels

EU foreign ministers will today consider whether to give their seal of approval to the draft Uruguay Round accord, a long-awaited decision which depends on resolving French demands for stronger European trade mechanisms.

Last night, hints of a compromise emerged in Brussels which raised hopes that the foreign ministers would succeed in their bid for approval of the Gatt world trade deal before the midnight deadline.

UK, German and Brussels diplomats suggested yesterday that London and Bonn were ready to soften some of their opposition to French demands which would make it easier for the European Commission to take action against unfair traders through speedier anti-dumping measures.

But it remained unclear whether the concessions would be enough to satisfy Mr Alain Juppé, the French foreign minister, who declared last Monday that Paris would sign a Gatt deal only on condition that trade weapons were strengthened.

The news that Sir Leon Brittan, chief EU trade negotiator, had succeeded in removing the culturally-sensitive film and broadcasting industry from the Gatt draft agreement achieved in Geneva yesterday was seen as a major boost. "It is a total victory for France," said one official.

Today Sir Leon is expected to call on EU foreign ministers to consider the merits of the deal in its entirety, rather than raising outstanding points of grievance. "We're past the point of negotiation," said one British official.

Ministers will not vote on the deal today since there is no possibility, either legally or politically, for EU member states to outvote France. Sir Leon has used the formula of "all for one, and one for all" used by the Three Musketeers.

But the final seal of approval appears to rest on France's requests for tougher trade weapons which threaten to overturn the long-established principle that a minority of free-trade leaning countries led by the UK and Germany could use their combined voting weight to thwart trade retaliation.

These include acceleration of anti-dumping measures, as well as the invocation of "safeguard" measures to deal with sudden surges of cheap imports. France would also like to create a new EU instrument similar to the US Section 301 market-opening weapon.

A core issue concerns how EU member states can obtain redress if their complaints about unfair trading are upheld by the Multilateral Trade Organisation, the new body which will replace Gatt panels. Some officials said the free-traders might be ready to concede simple majority voting in this area.

Other officials said Germany and the UK might give ground on anti-dumping but were reluctant to make it easier to invoke safeguard clauses. Creation of a new European 301 mechanism to achieve "nuclear balance" with the US remains highly contentious.

Accord boosts spirits in Scotch whisky industry

By Philip Rawstorne

Scotch whisky exports from the UK, worth £2bn last year, should be boosted by the Gatt agreement.

"In the short term, implementation of the 'zero for zero' agreement, initiated in Tokyo in July, will remove import duties for Scotch in seven countries, lopping almost 50p off the price of a bottle in New Zealand, for example, and just over £1 a bottle in Japan," said Mr Bill Bewsher, director general of the Scotch Whisky Association.

"Real strides will be made in international markets if there is swift and significant action to reduce import tariffs by 30 per cent overall," he added. Such a move would reduce the price of a bottle by £2.50 in Egypt, £1.90 in Korea, and 60p in Venezuela and Poland.

With agreement on reducing tariff barriers, Mr Bewsher said, the time was right for serious negotiations on non-tariff restrictions.

Scotch whisky at present faced tariff and non-tariff barriers in about 130 markets. Excise tax discrimination was widespread.

> In Japan, Scotch was taxed up to nine times the rate of shochu, the local spirit

In Japan, Scotch was taxed between six and nine times the rate of shochu, the local spirit. Other non-tax barriers were equally damaging to Scotch's ability to compete in overseas markets. Korea hindered market access through a system of licensing distribution; Argentina required immediate payments of duty on imports but allowed domestic drinks 45 days and Hungary operated quotas.

Farmers in Seoul in South Korea use their cattle in a bid to press home their point in a demonstration yesterday protesting against imports of beef into the country. The slogans say: "To love Korean meat is to love one's country" Reuter

Deal seen as triumph for multilateral rules

By Frances Williams in Geneva

The deal finally struck yesterday by Mr Mickey Kantor, US trade representative, and Sir Leon Brittan, EU trade negotiator, was greeted as, above all, a triumph for the multilateral trading system.

There was disappointment that in the three key services areas – audio-visual, financial services and maritime transport – the degree of trade liberalisation was minimal. But the fact that all three sectors were squarely within the services agreement of the Uruguay Round was met with relief.

This means all three areas fall under multilateral rules and disputes settlement procedures and will be subject to future negotiations to bargain away present restrictions.

The US and EU have also agreed to continue talks on a revised Gatt code governing subsidies to civil aircraft in hope of concluding a deal by the end of next year, before the round comes into effect.

> Washington has retreated on its two-tier plan for access to its banking, securities and insurance market

Moreover, the US has finally agreed to support the creation of a Multilateral Trade Organisation with strengthened powers to settle disputes. Under the MTO accord, governments must use multilateral procedures wherever they apply, which will include, for the first time, disputes over services and intellectual property.

This implies tight constraints on the future use of unilateral action by the US, a primary goal of the European Union and other trading partners from the beginning of the Uruguay Round in 1986.

"Use of Section 301 won't be possible where there are multilateral rules," Mr Hugo Paemen, chief EU negotiator, said yesterday, referring to the US law authorising unilateral reprisals.

On financial services, the US has staged a tactical retreat on its controversial two-tier plan for access to its banking, securities and insurance market. The solution reached between the US and EU, brokered by Gatt mediators, preserves the overriding Gatt principle of non-discrimination between trading partners through most-favoured-nation treatment.

The US will offer a basic level of access to its domestic financial services market to all Gatt members, irrespective of what they have agreed to do in return. Access beyond the basic level will be subject to an MFN exemption and so will depend on whether countries offer reciprocity.

However, when the Uruguay Round package comes into force, in January or July 1995, the US will suspend this MFN exemption for six months. If, at the end of that time, it is satisfied with the offers other nations have made to open their financial services markets, the suspension will be made permanent.

This gives negotiators a breathing space of 18 months to two years to conclude better market-opening deals on financial services which would enable the US to extend MFN treatment to the whole of its domestic financial market. The US has Japan most closely in its sights, along with some East Asian and Latin American nations.

On maritime services, the EU has withdrawn its liberalisation offer in response to Washington's refusal to put more than 3 per cent of its deep-sea shipping business on the table. Thus, there will be no liberalisation of maritime transport by the US and EU, and other nations such as Japan are likely to follow suit.

Though US objections finally scuppered an attempt to "multilateralise" the bilateral US/EU pact limiting state supports for Airbus, the two sides have agreed to try to reach accord on a revised Gatt civil aircraft code within the next 12 months.

Meanwhile, the bilateral pact remains in place and, after securing certain detailed changes, the EU has accepted that civil aircraft should be covered by the new Gatt subsidies agreement.

Air Canada buys Airbus widebodies worth $800m

By Paul Betts, Aerospace Correspondent

The European Airbus aircraft manufacturing consortium yesterday announced six firm orders from Air Canada for its new long-range A340-300 widebody airliner worth more than $800m (£537m).

It also said it was setting up a new division in Beijing called Airbus Industrie China to reinforce the group's commercial, industrial and product support operations in the fast-growing Chinese aviation market.

Airbus will create a training centre and spares facility in Beijing as part of its expansion into the Chinese market.

The Air Canada order for A340 aircraft follows last week's order by Cathay Pacific, the Hong-Kong based airline, for a similar order for six A340-300 long-range airliners.

The two deals are a boost for Airbus which is competing fiercely against the US Boeing company's new 777 twin-engine widebody airliner with its A340 four-engine aircraft and its twin-engine sister, the A330.

Airbus is also seeking to make growing inroads into the Chinese market against tough competition from the US manufacturers which have already developed a strong presence in China.

The European consortium currently has three customers and airline operators in China including China Eastern in Shanghai, China Northwest Airlines in Xian and China Northern in Shenyang. It has won orders for 18 airliners from China this year.

Cuba and Caricom in bid to increase trade

By Canute James in Kingston

Cuba and the Caribbean Community have signed a controversial agreement establishing a joint commission to increase trade and technical co-operation between the island and its neighbours.

The commission, which has been attacked by the US State Department and by several US legislators, will oversee co-operation in several areas, including trade and the development of the region's sugar cane industry.

The agreement, which was signed on Monday, is aimed at increasing the volume of trade between Cuba and Caricom, improvement in sugar cane yields, co-operation in developing livestock and fisheries, and will combine research in biotechnology, particularly for agricultural and technical applications.

The commission represents several years of work by the Cuban government to raise the level of contact with its neighbours, many of which have been slow to entertain the Cubans because of concern over a negative reaction from Washington.

Mr Ricardo Cabrisas, Cuba's external trade minister, said on Monday that the establishment of the joint commission will allow Caribbean companies to make use of new economic opportunities in Cuba.

"Our economic and commercial space resulting from the opening of our economy is being occupied by capital and markets of diverse origin, and we would not like the Caribbean to arrive too late," he said.

"We invite the Caribbean not to waste this opportunity to link ourselves more closely and create better conditions with a view towards a future economic integration of the Caribbean."

The region's private sector was told by Mr Edwin Carrington, secretary-general of Caricom, to pursue investment opportunities in Cuba, and in other countries with which Caricom has similar agreements. Jamaican hotel companies have invested heavily in Cuban tourism.

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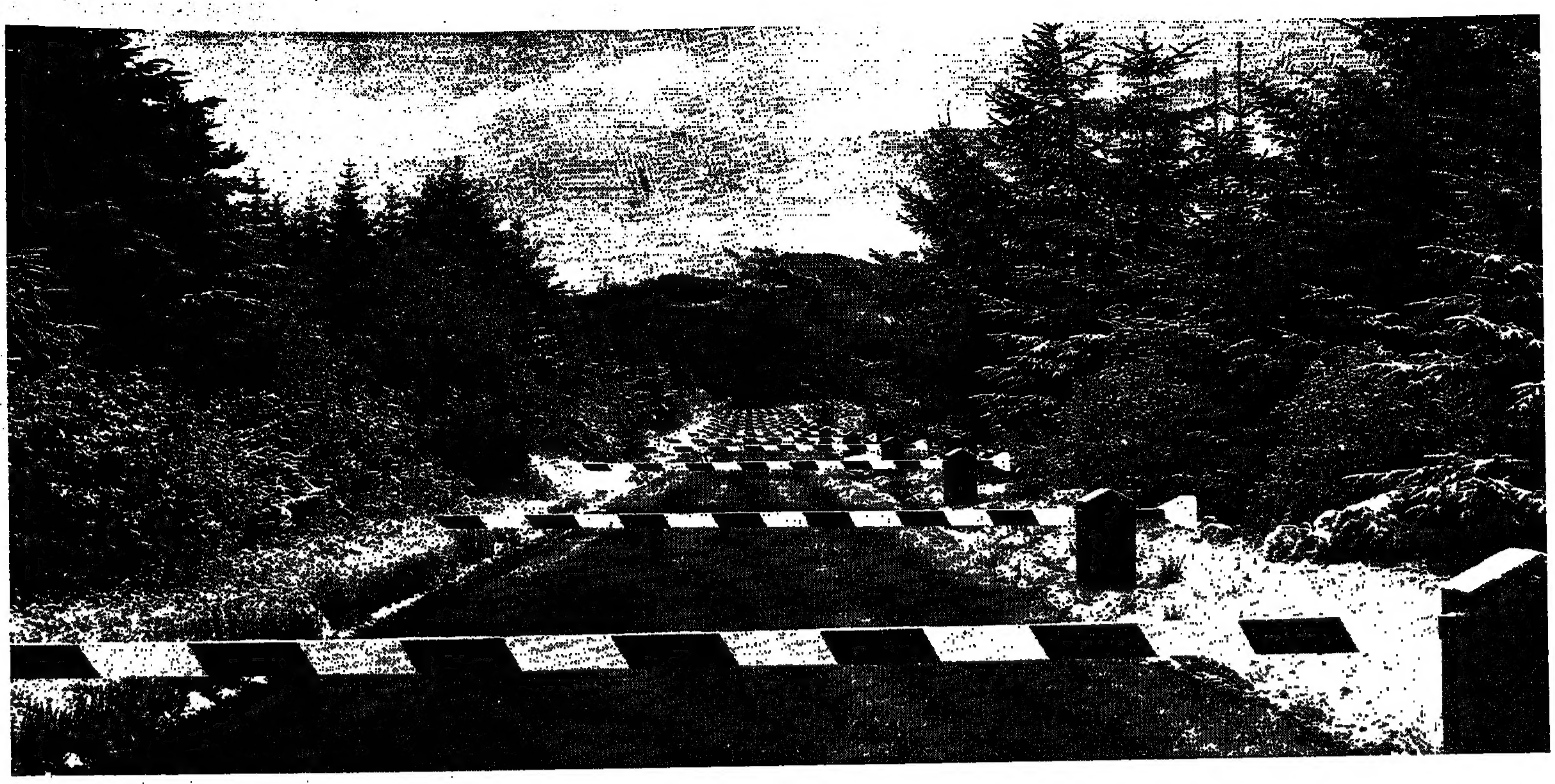

Endgame threatens king's defence

Kevin Brown on the media frenzy over the fitness of the Prince of Wales to the crown

Tread softly, wrote William Butler Yeats, for you tread on my dreams. It seems unlikely that the poet, an Irish republican, would have had much sympathy for Charles Philip Arthur George Windsor, Prince of Wales, Duke of Cornwall and and heir to the thrones of England, Scotland and Ireland.

But many others have winced in the last few weeks as the hobnailed boots of the British press have trampled heedlessly over Charles's dream of succeeding his mother Queen Elizabeth II as monarch of the United Kingdom.

Almost without exception, Britain's national newspapers have worked themselves into a passion over Charles's prospects of succeeding to the throne and his moral fitness to be head of the Church of England, an ecclesiastical sinecure which has gone with the job since Henry VIII broke with the Church of Rome in 1534.

This is not, of course, the first time that the royal family has been subjected to a feeding frenzy of this kind. The royals have long been regarded by the British media as little more than than the cast of a ritzy soap opera, acting out a melodrama scripted with greater bathos than anything on daytime television. But the current bout is exceptional because it has crossed the boundary between the popular and the broadsheet press; it has become a serious issue.

In the past, this kind of breast beating has been prompted by specific events such as the announcement that Prince Charles was to separate from Princess Diana, his photogenic but incompatible wife. That announcement, delivered in sombre tones to the House of Commons by Mr John Major, the prime minister, raised questions, such as the constitutional position of the Princess, which deserved widespread debate.

This time, the trigger was a tearful statement by the Princess that she plans a semi-withdrawal from public life at the end of this year. The conspiracy theorists of Fleet Street, the pundits of the nation's national newspapers, had a field day. Was the princess retiring voluntarily, or was she pushed out by Charles? they asked. It might have stopped there, but for an unexpected outburst by the Venerable George Austin, a minor Anglican cleric, who linked the prince's moral duty to church and state with unsubstantiated tabloid allegations that he has had an affair.

"Charles made solemn vows before God in church about his marriage, and it seems – if the rumours are true .. that he began to break them almost immediately. He has broken his trust and his vows to God on one thing. How can he then go into Westminster Abbey and take the coronation vows? Are we to believe that he will keep those?" the priest asked on a national radio programme.

It was as if a floodtide had been undammed. "Charles not fit to rule," said the front page of London's Evening Standard. "Can he ever succeed?" asked the up-market Sunday Times. "Queen wants Wills to be next king," said the tabloid newspaper The Sun, referring to Prince Charles' eldest son. *Some placed an each-way bet.* The Times, once Britain's newspaper of record, gave space to Fr Austin to elaborate his views, while describing them in an editorial as "fallacious, aggressive in language, and wholly regrettable."

The affair is replete with irony. A priest questions the prince's right to the throne on the basis of newspaper speculation about an affair which has never been admitted. Tabloid newspapers debate the prince's morals next to salacious pictures of semi-naked women. An editor who printed damaging allegations about the Anglican leadership's unhappiness with Charles delayed for months because of his scruples about revealing a private conversation.

Most ironic of all, the monarchy is under sustained attack from those who pose as its greatest defenders. Newspapers which affected outrage when the Queen was offered a guiding arm by Mr Paul Keating, Australia's republican prime minister – he treated the Queen like a sheila at the sheep dip, said one – are doing far more damage to the crown than the volatile Mr Keating ever intended.

But the media campaign bears no relationship to *Australia's principled* republicanism, which is rooted in a desire for constitutional change unrelated to the character of the sovereign and her family. British critics of the monarchy are more like the nihilists of Tsarist Russia, who sought to destroy the institutions of the state, but gave no thought to what might replace them.

Much of the punditry is driven by an old-fashioned circulation battle in which the royal couple play the part reserved by previous generations for film stars and sportsmen. Journalists who write about the royals say that they must take some of the blame for stirring the pot by allowing "friends" to leak details of their marital problems in unattributable briefings.

But the most worrying aspect of the last few weeks is that much of the media appears to have lost the ability to distinguish between fiction and reality.

The newspapers are full of parallels between Charles' plight and the TV series *To Play the King*, a follow up to the internationally successful political drama *House of Cards*, written by Michael Dobbs, a former prominent aide to both Mr John Major, the prime minister, and Baroness Thatcher, his predecessor.

In the series, Mr Francis Urquhart, a scheming Conservative politician, first replaces the sitting prime minister, and then forces the king – played by an actor with a marked similarity to Charles - to abdicate. Mr Urquhart, who is assisted by the king's divorced wife, has a catchphrase which has become a national symbol for Machiavellian intrigue, particularly as it affects the royals. "You might say that," he tells journalists postulating absurdities about the royals, "I couldn't possibly comment."

Charles becomes Prince of Wales at his investiture by the Queen at Caernarvon Castle in 1969

It was no accident that media moralising over Charles' future reached its climax at the weekend, neatly coinciding with the final part of the series, in which the King is replaced by his son.

But is there a real question mark over the future of the monarchy, or will the subject die a natural death as the tabloid pack moves onto fresher meat? The question is not nugatory. Mr Major has played a role of studied neutrality since the royal separation was announced, but a raft of senior ministers was mobilised at the weekend to insist in print that the succession remains unsullied. As usual in these cases, they succeeded only in reinforcing the uncertainty.

For the moment, there is no serious republican sentiment in Britain. But the last few weeks have demonstrated that respect for the royal family has been damaged seriously, perhaps irreparably, by the media coverage of the lives of Charles and Diana.

One important restraining factor remains: the widespread admiration of the Queen, perhaps the one member of the royal family still accorded the respect which Americans give to the occupant of the White House, whatever his personal qualities. But republican storms can blow up extremely quickly. The subject was hardly discussed in Australia a couple of years ago; now it seems likely that a majority of Australians will vote to break with the British monarchy when a referendum is held in a few years' time.

But does the furore offer hope to Britain's tiny band of republicans? You might say that, as Francis Urquhart would whisper. I couldn't possibly comment.

Iraq export case 'ludicrous' says former minister

By Jimmy Burns

The abortive prosecution last year of three British businessmen for illegally selling machine tools to Iraqi weapons factories should have never taken place, Mr Alan Clark, former trade minister, told the Scott inquiry yesterday.

Mr Clark said the trial of the executives of the machine tool *manufacturer Matrix Churchill* was "ludicrous" and served no public interest.

Mr Clark described how officials and ministers had approved the export of machine tools knowing they were defence-related because they hoped to gain further intelligence. He referred to the "surrealistic" atmosphere in which the government and intelligence services operated.

Mr Clark said that "to some extent" he himself had been "negligent" by giving an inaccurate witness statement prior to the trial. The statement had denied outright that he had given machine tool manufacturers approval to go ahead with exports to Iraq knowing they had a military use.

It was his admission at last year's Old Bailey trial that he was "economical ... with the actualité" which prompted the collapse of the Matrix Churchill prosecution.

Earlier yesterday Mr Clark suggested that the foreign office had deliberately ignored the diversion of illegal arms exports to Iraq via Jordan for foreign policy reasons.

He told the inquiry that he "so angry" with Jordan after the invasion of Kuwait that he prevented King Hussein from *officiating at a parade at the* British military academy of Sandhurst.

● A British military engineering company has been charged in the US with secretly selling an assembly line used to make artillery fuses to Iraq.

Four executives of Ordtec have been convicted in this country of similar offences after ministers stopped documents indicating the Government knew what they were doing going before the court.

After the collapse of the Matrix Churchill case the four said they would appeal against their convictions. Michael Chertoff, US attorney for New Jersey, said Ordtec and Rexon Technology Corporation of Wayne, New Jersey, were accused of violating the US Arms Export Control Act by attempting to ship the equipment through Jordan.

UK defers fish curbs pending court ruling

The British government last night announced it is again shelving the introduction of *curbs on the days fishermen* can spend at sea again – restrictions which have been fiercely opposed by the industry – pending a European Court judgment.

Mr Michael Jack, the UK fisheries minister, said in a Commons written reply that he would also hold talks with EC officials and the industry on action to conserve stocks.

He said a High Court ruling in a case brought by the National Federation of Fishermens' Organisation, while noting agreement on the need to prevent overfishing of certain stocks, concluded there were points it felt unable to resolve without a reference to the European Court of Justice.

Mr Jack said there was a "pressing need for conservation action", but added: "We have concluded that the most straightforward course is to suspend the implementation of days at sea restrictions pending the European Court's judgment, which we shall seek to have expedited."

David Harris MP, the Tory Fisheries Committee chairman who led the campaign against the curbs, said: "I am absolutely delighted by the move. It should have happened a long time ago.

"Mr Jack should now announce one step further and say that the scheme will in no circumstances be reactivated. He should work with the industry on alternative conservation measures."

New code to help insurers in Europe

By Andrew Jack

British insurers should be able *to operate more competitively* across Europe under draft regulations to be introduced by next July, Mr Neil Hamilton, corporate affairs minister, said yesterday.

Launching draft legislation to bring UK law in line with the EU's third directive on insurance aimed at creating a single market for insurance by July 1994, he said the changes would allow British companies to offer insurance throughout the EU more easily.

The directives will make the home country of any insurer its regulator wherever it operates within the EU.

The draft legislation includes requirements for additional disclosure on derivative contracts, shareholder controllers and valuations. Mr Hamilton said the changes would provide insurers with greater freedom to launch innovative products and make a wider range of investments.

Under the changes, the government's regulatory powers to freeze the assets of an insurer will be widened. It will be able to suspend a company's authorisation immediately to protect policyholders.

Its ability to gather information and investigate insurers will also be extended, including the power to require an independent report and a right to obtain information on a company's premises without a court order.

Comments are required by the end of February.

Ulster business open-minded on peace talks

By Tim Coone in Dublin and Jimmy Burns in London

Ninety-five per cent of Ulster's business community would be content to see Sinn Fein at the negotiating table as part of the search for peace if the IRA were to abandon violence according to a Financial Times poll.

Only a handful of companies back the Rev Ian Paisley of the Democratic Unionist party who argues that Sinn Féin should indefinitely be excluded from the political process.

Business leaders in Ulster also back the politically controversial proposal at the heart of Dublin's peace plan to test any political settlement through separate referendums in both parts of Ireland.

The survey – the first of its kind – will hearten the London and Dublin governments as they put the final touches to the joint declaration which will form the basis of eventual peace talks.

The survey shows that senior executives in the province biggest companies firmly back the efforts to peace being pursued by the British and Irish prime ministers. But they do not believe that either the IRA or Loyalist paramilitaries can be defeated militarily.

Financial Times reporters sought the views of 80 chief executives of Northern Ireland's leading businesses last week. Companies who agreed to participate in the FT poll on the condition that they were not named include US, Asian, and European companies who have invested in Northern Ireland and are among the major employers in the region.

Fifty-six responded, from manufacturing, banking and the service industries which account for nearly a quarter of employment in the private sector in the province.

The executives are divided about the prospects of a settlement being achieved with optimists roughly matching pessimists.

More than 60 per cent of the executives were prepared for the British government to concede enhanced north-south structures for economic co-operation to achieve a peaceful settlement. Only 20 per cent would concede structures for political co-operation, although nearly a third would acknowledge the aspiration of Irish unification.

Very few executives (4 per cent) said that they had ever considered relocating to the mainland because of the violence, although the chief executive of one very major employer in the province admitted that relocation had been considered.

Virtually all said that the violence had not significantly affected the day-to-day running of their businesses.

But they all saw an economic dividend in prospect if there was peace, with 90 per cent anticipating a positive effect on business and entrepreneurial opportunities.

A majority of the companies insisted on completing questionnaires anonymously. However a handful of those contacted by phone volunteered to expand on their answers.

One senior executive declared on devolution: "This is absolutely necessary because without it we will never have the politicians with the calibre we need to lead us."

Another commented: "If the management of a business had been in conflict with its trade unions for 25 years, that business would have gone under a long time ago."

Rolls-Royce future 'viable'

By John Griffiths

Sales of Rolls-Royce and Bentley cars are unlikely to exceed 1,500 a year – compared with a peak of 3,333 in 1990 – "for the forseeable future", according to Mr Michael Donovan, commercial managing director of the Vickers-owned luxury car maker.

But with the company's break-even output, including substantial provision for research and development, down to 1,300 the company is viable, Mr Donovan said.

The prediction made in the summer by Sir Colin Chandler, Vickers' chief executive, that Rolls-Royce would return to profitability this year – after running up total pre-tax losses of £110m in 1991 and 1992 – is being borne out by the level of year-end sales, said Mr Donovan. The company last made a profit, of £32m, in 1990

He disclosed Rolls-Royce's financial performance is boosted sharply by the strong success of the £170,000 Bentley Continental coupe model, now said to be accounting for 20 per cent of output. The company's "standard" model, the Rolls-Royce Silver Spirit, sells for about £100,000.

Sir Colin has said that in the long term, Rolls-Royce Motor Cars would need to find some form of partnership in order to develop a new model generation.

It is possible that future model developments may be achieved through a number of partnership projects, said Mr Donovan.

He indicated that, in the the longer term, the company could make wider use of aluminium, new lightweight steels and possibly even diesel engines to accommodate energy and environmental concerns.

Space body faces review

By Daniel Green

The National Remote Sensing Centre, part of Britain's space establishment that was privatised last year, is to conduct an internal review in the light of questions raised by the National Audit Office, the government's spending watchdog.

The NAO said in a report published yesterday that the centre, majority controlled by British Aerospace, could have a "privileged position" of which it might be able to take competitive advantage.

The Centre, which made a pre-tax profit of £389,000 on sales of £4.1m in 1992, said it was aware that other space sector companies were wary of its position but any fears were unfounded. However, it said it would would re-examine its costing and charging schemes.

The NAO report broadly praised the UK's space policy, which is directed to towards the commercial exploitation of space.

It said British companies received more industrial contracts than the average member of the European Space Agency for the amount of money contributed to ESA's budget by the UK government.

The UK will have spent £170m in 1992-93 on civilian space projects, of which almost half is on earth observation. The area has commercial applications in land management, environmental monitoring and weather forecasting.

The National Remote Sensing Centre says the world market for earth observation data is worth about $400m a year now and will double in size by 1997.

Department of Trade and Industry: Support of Earth Observation Technology. National Audit Office. HMSO £7.40.

Britain in brief

£6m private venture fund for musuem

Britain's venture capital industry broke new ground when private sector investors put up £6m of equity to partly fund the transfer of the Royal Armouries national museum from the Tower of London to Leeds.

The deal led by 3i, the investment bank, is being claimed as the first to back an arts project with risk capital. It triggers £28.5m of public funding which the government made conditional on private sector support.

The Royal Armouries decided to move to Leeds last year after running out of space to display and develop one of the world's most important collections of historical military hardware at the Tower. The museum will be used to regenerate a derelict riverside inner city area.

'Reg' cigarette advert dropped

Imperial Tobacco, the Hanson subsidiary, said that it is scrapping its current advertising for Embassy Regal cigarettes, featuring an irreverent character called Reg, following a complaint from the Health Education Authority that the advertisements appeal to children.

Survey finds 'patchy' upturn

Retailers are experiencing a patchy recovery with few signs of a rapid lift in sales ahead of Christmas, according to the Confederation of British Industry, the employers' organisation.

Although retail volumes grew last month on a year previously, the year-on-year rise was less than in September and October while optimism about short-term business prospects has fallen back.

More positively, companies running shops and supermarkets are planning to increase capital spending over the next 12 months by more than at any time since 1987.

The survey took soundings from 494 distribution companies – taking in wholesalers and car showrooms as well as shops – between November 9 and December 1. It may have been affected by uncertainty ahead of the November 30 Budget.

N Sea activity declined in '93

Exploration for oil and gas in the North Sea declined this year, according to a report yesterday by Mackay Consultants.

Fewer exploratory wells were drilled, according to the report, because of low world oil prices, the attraction of fields abroad and the maturity of the North Sea fields.

It predicted that North Sea oil and gas production would increase by 13 per cent and about 8.5 per cent respectively next year. Four new fields were expected to come onstream in UK waters in 1994.

Early shutdown at Ford motors

Thousands of workers at the Ford motor company are having to start their Christmas holiday break earlier this year than usual because of falling demand for their models in continental Europe.

Today will be the last production day for Ford assembly workers at the company's Dagenham operations except for those working in the engine plant. This will mean a loss of 13 shifts over seven days. Production will not be resuming at the plant east of London until January 5.

A company spokesman said that the early shutdown at Dagenham was partly due to management's plans to carry out operational changes on the production lines to increase safety on the Fiesta during the vacation period.

Big increase in Toyota output

Toyota began production of a hatchback version of its Carina E saloon at its Burnaston plant near Derby. The new model will account for one half of the plant's output, which is to leap to 100,000 units in 1994 from 37,000 this year.

Toyota Motor Manufacturing (UK) said the output rise would lift the company's spending with its 200 European suppliers to £380m next year from 1993's £100m, partly because "local" – European – content is rising ahead of schedule.

Advisors fined near record

Noble Lowndes and Partners, the independent financial advisers, has been fined £740,000 by Imro, the investment management watchdog, for giving customers bad advice to switch between investment products and for failing to keep proper records.

As well as the fine, which is almost a record amount, Noble Lowndes must pay Imro's costs of £45,000 for the disciplinary action. It has already paid out £580,000 in compensation to customers.

All the costs are to be met by the TSB group, which sold Noble Lowndes to Sedgwick, its current owner, in September for £110m.

Going up ....

The NatWest Tower in the City of London is to be refurbished next year with work scheduled to begin by late summer 1994.

National Westminster has appointed architects GMW to lead a team of design and engineering specialists to draw up plans for the refit.

Previous investigations have shown that despite bomb damage sustained in April 1993, the building remains structurally sound.

Contracting-out rules could be clarified next year

By David Goodhart, Labour Editor

Officials at the Department of Employment have said that some of the legal uncertainty surrounding contracting-out of public services could be removed early next year when the European Commission reviews its Acquired Rights Directive.

The directive, known as Tupe in its British form, aims to protect employees when their jobs are transferred from one employer to another, but has served as a deterrent to potential bidders for services being put out to tender in local and central government.

The European Union's weekend summit agreed to include Tupe in the list of policy areas that would be subject to a subsidiarity test, with a view to "simplifying and enhancing" the complicated regulations.

A new draft of the regulations will be presented early next year and will go before ministers in June.

Mr John Major, the UK prime minister, said in the House of Commons on Monday that the EU has agreed to repeal the Tupe legislation.

However most analysts regard that as an exaggeration and the government is unlikely to succeed in its aim of excluding public sector contracting-out from the regulations.

Meanwhile many private contractors say that the government's own policies on how to implement the directive are making sustainable bids impossible.

Mr John Hall, director-general of the Business Services Association, which lobbies on behalf of contractors, has written to Mr Jonathan Aitken, minister of state for defence procurement, complaining that the MoD procurement executive requires contractors to guarantee not to sack employees or change their conditions of employment for 15 months.

He said recent industrial tribunal cases to decide whether Tupe applies were generally concluding that it did not.

Mr Hall is optimistic that the Commission review will redefine the concept of "undertaking" to ensure that Tupe only applies when whole organisations, rather than specific functions, such as cleaning or catering, are transferred.

Other lobbyists pressing for reform of Tupe, such as Mr Cliff Davis Coleman, of the Clause 26 Group, are more circumspect.

Opponents of reform such as Mr Stephen Bubb of the Association of Metropolitan Authorities say the Commission is more likely to tighten the regulations than relax them.

MANAGEMENT

In a second article on 3M, **Christopher Lorenz** describes reactions to its European reorganisation

Facing up to responsibility

When Stig Eriksson and Peter Williams report that most people are delighted to be given greater responsibility and power, with more independence from their boss, they might seem to be stating the obvious. But the two European managers of 3M, the diversified US multinational, have also found that others "are uncomfortable, and need to be coached", as Williams puts it.

The type of response depends partly on the person's character and experience, but also often on their nationality, adds Eriksson. People from relatively authoritarian cultures such as Germany, France and Italy, tend to be unsettled by being allowed considerable autonomy, and can take longer to get used to it.

Eriksson and Williams, who are at the heart of a radical reorganisation of the 21,000-person European operations of 3M, have experienced both types of reaction from their staff this year.

The reorganisation, which took effect in January, has transferred most business responsibility from separate country subsidiaries to a network of 19 pan-European divisions – what 3M calls "European Business Centres".

As a result, many managers in individual countries now report direct to European bosses, often in a different country and several hundred miles away. About a thousand managers have been affected directly.

Most of the structural changes have already been made (see FT Management page, November 10). But Eriksson says all sorts of team-building and other "change processes" are still under way in order to get people "really to accept cultural diversity, and make it a strength". With different nationalities now reporting to each other across borders, all sides must work hard at developing their relationship.

A number of other "rough edges", as 3M's top man in Europe, Doug Hanson, calls them, are also having to be smoothed out.

Most of 3M's new Euromanagers have reacted positively to the changes, in spite of the heavy travel involved. Their enthusiasm is epitomised by the views of three of them: Fabio Barcellona, a 34-year-old Italian who now shuttles across Europe from his office in Milan; Clare-Noelle Bigay, a 29-year-old Frenchwoman who does the same from near Paris; and Reza Vaziri, a 40-year-old Italian-Swiss who has moved from Switzerland to near Düsseldorf in Germany. He is one of the few to have been relocated.

Barcellona, and Bigay work several levels below Eriksson, a Finn who is the Brussels-based managing director of 3M's medical products business, while Vaziri is a couple of levels below Williams, the head of 3M abrasives, located west of London.

In touch: Stig Eriksson says employees must work hard at accepting cultural diversity and making it a strength

Barcellona, marketing supervisor for 3M's line of sterilisation products, attributes its 15 per cent sales growth in this recession-torn year mainly to the reorganisation: "It's given people new motivation, from marketing teams down to the sales forces and dealers – it's contagious".

Bigay agrees, saying the change is already creating such cross-border cohesion that a new product which she is helping launch across Europe this month "would have taken another year previously, because the countries worked individually".

As an experienced manager, Vaziri was used to operating with a considerable "power distance" in his native Switzerland, from where he moved late last year to run the German sales and marketing operations of one of 3M's abrasives businesses. His German predecessor in that job reported to a fellow national on the same site as himself. But Vaziri's boss is a Frenchman based near Paris.

Vaziri says he is entirely happy with the new arrangement. He talks to his new boss once a week on the phone, and they meet more or less monthly, usually alternating between Düsseldorf and Paris. "That's actually more often than I saw my boss in Switzerland," he says. One of the main reasons why 3M has had relatively little trouble putting the reorganisation into practice is that there was a growing consensus at all levels that the previous structure was in need of change.

Among the old cross border consultation processes was a widely publicised system called "European Action Management Teams". These teams helped plenty of new product ideas to be exploited across borders, but always relatively slowly. Williams says they were more forums for debate than platforms for action.

"It was extremely difficult to get enough knowledge and commitment across frontiers. One had to do things through product directors in Brussels who didn't have full authority to get things done," adds Eriksson. So giving European tasks to managers in any single country "was very difficult. They were judged by their local results, so they had to do it like 'church work' – in their spare time".

Expanding on why the old organisation hampered 3M's responsiveness to the customer, Eriksson says: "Europe is definitely consolidating, through alliances of customers and of distributors. Dealers are getting together every day in office equipment, pharmaceuticals, health care and other areas."

Yet "we didn't do a good job of key account management", says Hanson, "there was no central responsibility".

Williams recalls 3M's difficulties when a large oil company wanted to refurbish 5,000 sites across Europe. "It was a major problem getting everyone harnessed behind it," he says.

Another problem was that "we didn't have good control of pricing policy", Hanson adds. One country would go for price rather than volume, and its neighbour for the opposite. "So distributors complained, and bought across the border." He says the problem was most important "for the confusion it created".

As well as being more effective at serving multinational customers and at transferring local skills across borders, the re-organisation is helping 3M get new product ideas into the marketplace much more rapidly. "These days we expect roll-out times to be cut by 50 per cent," says Eriksson.

Such improvements are coming in spite of the difficulty of redesigning various information systems as fast as the organisation has changed.

Hanson's outstanding list of "rough edges" includes:

- The need to clarify new procedures following the shift of spending authority from countries to businesses.
- The development of guidelines for the cross-border harmonisation within businesses of recruitment, remuneration and other personnel practices. These are all relatively clear for sales and marketing jobs but not for staff ones. "That's an issue we haven't resolved yet," says Hanson. "I guess I wasn't forward-thinking enough to see it as a problem."
- The development of "a bit of a silo mentality" within individual European business units, which in some cases is reducing the effectiveness of what 3M calls "related selling": the sale by one business unit of another's products. "That was easier to do within individual countries than it is all across Europe," says Hanson.

By no means every part of the organisation is experiencing all these problems. Frederico Gavioli, a 30-year-old Italian, who is part of the pan European "core team" for biomedical electrodes and has special responsibility for several European product launches, says: "We're sharing our resources much better than we used to – we no longer duplicate between countries. And everyone here is used to change. To be a 3M person you must live with it."

What about the risk – inherent in any pan-European organisation – of losing touch with national markets? Gavioli and other junior and middle managers say this has been avoided by their retention of national marketing responsibilities alongside their new European ones. As one of them says: "The key to this is that I still have local customers on the phone every day, as well as people in other countries."

Portrait of an image adviser

A former actor tells **Judy Dempsey** of his attempts to help fellow 'Ossis' with their presentation

When the Berlin Wall came down, Torsten Schlingelhof quit the stage, folded his jazz band, and moved to Berlin from his native Weimar. But he quickly tired of his jobs in the capital. What disappointed him most was the way east Germans presented themselves.

Schlingelhof decided to do something about it. "I saw the way in which they lacked self-confidence," he explains, "and how they were unsure about how to deal with the opportunities which opened up before them." Schlingelhof and his friend Jutta von Brunkau started their image advice consultancy, Aimeum, in February last year.

"The east Germans have found it difficult to cope with the changes," says 37-year-old Schlingelhof. "For 40 years, they were not allowed to express their individualism publicly. They had to act in a collective way. But in their heads, they were individuals. I want to draw out this individualism. I suppose I try to provide a bridge between the collective mentality and individual self-expressionism."

Schlingelhof's method, like his manner, is informal and relaxed. His clients, mostly women aged between 30 and 55, can register for an individual course or in groups.

"I first ask my clients what they do, and what they want from life. The answer is invariably the same," says Schlingelhof. "Many of them are professional women. Before unification, they were working as lecturers, teachers, or art historians. Their jobs were secure. Now they have to compete in the market economy. They all want self-confidence, particularly when they apply for a job, but they do not have the tools to achieve this."

With his staff of six, including Wilfried Markert, a retired voice teacher at east Berlin's renowned Schauspielschule, Schlingelhof advises on deportment, dress, style, and how to articulate with confidence. Business has not been particularly brisk – about 350 people have passed through his doors – but as Schlingelhof explains, "our clients are shy about coming".

Half of them are from west Berlin, according to Schlingelhof. "I believe that in west Germany, you are not meant to admit that you lack self-confidence."

Katharina Gruhl, a 30-year-old west Berliner who runs her own management consultancy agency, approached Schlingelhof "because I wanted to project myself. Aimeum has given me great self-confidence".

Gruhl is surprised that Schlingelhof is an Ossi, or Easterner. "He is so untypical of the Ossis. He is confident. But I realise that by going to the studio, I can learn about how the Ossis think as well. That is very important for breaking down the mental wall between the Wessis and the Ossis."

Schlingelhof feels both bemused and irritated when Ossis or Wessis discover he is an east German. "Some Wessis have this image that the Ossis are from another planet. Indeed, I had a lot of difficulty in obtaining a bank loan largely because the banks were suspicious because I was an Ossi. They distrusted me because I had no previous record in running a business. But we have to start somewhere."

BUSINESS AND THE ENVIRONMENT

Prevention is better than cure

Frank McGurty on the changing US approach to pollution control

An ounce of prevention is worth a pound of cure. Why then has the US Environmental Protection Agency only recently begun to examine ways of reducing industrial pollution before it is produced?

Many of the reasons can be found in a joint study released last month by the EPA and Du Pont, the chemical company. The project, which identified ways to minimise waste generated at a New Jersey chemical plant, is perhaps the best illustration to date of how the US approach to pollution control is evolving.

The collaboration began in February 1991. As part of a settlement over violations at its Chamber Works plant in Deepwater NJ, Du Pont agreed to pay a fine of $1.8m (£1.2m). More significantly, its deal with the EPA included an undertaking to examine how to reduce wastes at the facility and to make its findings available to competing chemical producers and research organisations.

Two important conclusions emerged. First, prevention is much more effective than traditional "end-of-pipe" remedies, which usually simply transfer hazardous waste from one medium to another – say, from water to land fills. Second, pollution prevention – or "source reduction" – can cut operating costs, improve product quality and boost profitability.

When all of its recommendations have been implemented at a one-time capital cost of $6m, Du Pont expects to save about $15m a year, with a reduction of up to 73 per cent in hazardous waste from the processes selected for study.

Traditionally, the EPA has favoured sticks over carrots. Its mission had centred on assuring compliance with federal regulations through a system of permits, inspections and enforcement actions.

The focus was on rigid rules and equipment specifications, which are often based on outdated technical data. Amazingly, pollution generated by individual industrial sites was often neither measured nor analysed.

Last spring, a study conducted by the EPA and Amoco at its oil refinery in Yorktown, Virginia, revealed that neither party knew the source of dangerous benzene emissions there.

Nevertheless, the EPA had required the company to spend $41m on a system to capture benzene vapours from pools of waste water, known as separators.

The real problem, the study found, was fumes escaping when oil was loaded on to barges. EPA rules, based on data compiled in 1959, did not address the loading process, and Amoco complacently accepted the agency's short-sightedness.

"The system encourages companies to put in place managers who know the regulations and how to comply with them," says Kevin Mills, an attorney with the Environmental Defence Fund, a private non-profit making group. "This priesthood of specialists typically acts very conservatively, in well-documented, safe ways."

Tension between regulators and the regulated is an even more formidable obstacle. Source reduction, the Du Pont study suggests, is incompatible with the antagonism that seems to flow from the EPA's traditional role as policeman.

The study "recognises that the best environmental solutions come when government establishes priorities and realistic goals, and when industry accepts the responsibility of meeting them in the most efficient way," says Paul Tebo, Du Pont's vice-president for safety, health and environment.

The EPA first compiled a list of 33 chemical processes at the plant, which produces about 650 products using 4,000 chemicals. The company was free to select 15 of them and develop its own recommendations on cutting the waste they generated.

Some of the solutions which Du Pont put forward involve subtle refinements of complex procedures. In examining a process that produces nitroaromatic compounds, the assessment team initially focused on a single step. Later, it concluded that only a series of small improvements to all of the process's flow-control systems would result in substantial waste reduction.

The lesson for other companies is that waste-minimisation assessments must often be expanded beyond their original scope. In many cases, only close scrutiny of the entire process can lead to effective action.

Plutonium poser: Britain's Thorp reprocessing plant may have direct implications for Japan

Tokyo's green lobby claims Britain will become a dump for nuclear waste, writes **Emiko Terazono**

Japan divided as Thorp waits

It may not be the most palatable of messages, but it is one that Tadatoshi Akiba, a member of the Japanese parliament's environmental lobby, is keen to spell out. "I think we have the obligation to tell the British people that it is inevitable for the UK to become the storage place for Japan's nuclear waste and plutonium," he warns.

Akiba is one of nine parliamentary members urging the review of Japan's contracts to reprocess used nuclear fuel at the £2.8bn thermal oxide reprocessing plant (Thorp) in Sellafield, north-west England. The group claims the global surplus of plutonium and the international trend away from fast breeder development will eventually force Japan to curtail its nuclear policy. They warn that under the current contract, British Nuclear Fuels, the plant's owner, may end up holding stockpiles of unprocessed nuclear fuel and plutonium if Japan decides to curb plutonium use.

Ahead of the British government's imminent decision on the future of Thorp – it is expected to give the go-ahead – there have been claims and counter claims about the project's viability from Japan, Thorp's largest foreign client. The official line of the Tokyo government over its commitment to Thorp and to its plutonium reprocessing programme, remains unchanged. But the environmental lobby is using Thorp as a chance to highlight the complications facing Japan's nuclear policy.

Japan's electric power utilities have already shipped 2,300 tonnes of used nuclear fuel to Sellafield to be processed. According to Akiba, BNFL is required to check whether Japan can actually use the processed plutonium before it is shipped back. Hence, if Japan ends up with too much supply or decides to curb its nuclear energy policy, Thorp will end up with unwanted plutonium. He also says the contract stipulates that BNFL will lose its right to send back the plutonium to Japan after 25 years. However, BNFL says there is no time limit on the return of plutonium.

Some questions surrounding Japan's stance will be answered at the end of the year by the country's Atomic Energy Commission, when it ends its sixth mid-term reassessment discussions on Japan's long-term nuclear policy.

Meanwhile, the electric power utilities refute the environmentalists' claims. Kohji Kaneko, general manager of the Federation of Electric Power Companies' nuclear power department, says BNFL would have the right to decide how to dispose of the unprocessed used nuclear fuel, plutonium, and nuclear waste: this could include sending it back to Japan. "It's unthinkable that BNFL would sign such an one-sided contract," he says.

Yasutaka Moriguchi, the director in charge of Japan's nuclear fuel policy at the Science and Technology Agency, strongly denies the possibility of a change in the country's nuclear programme in the future. The country's plutonium policy was drawn up by officials in the late 1950s when they discovered it as a "dream energy source" which was ideal for a country lacking energy resources and dependent on imported fuels.

Japan's goal of becoming completely self-sufficient in energy was reinforced by the oil crises of the 1970s: the country relies on oil and uranium imports for more than half of its electrical power. Since then, the government has introduced nuclear power aggressively, allowing 42 nuclear power plants to be built over the last 20 years, and has stood by its plutonium policy on the assumption that uranium would be scarce and expensive in the future.

However, uranium prices have plunged following discoveries in Canada and Australia and a decline in demand for uranium. Some analysts believe the world's uranium supply will last for another 130 to 150 years. Uranium and plutonium from the deactivated nuclear weapons of Russia and the former Soviet republics have added to the glut of nuclear fuel.

Japan currently has 4.5 tonnes of plutonium, of which the environmental lobby claims that there is no planned use for three tonnes. The government denies any possibility that Japan's nuclear policy will be altered. It also claims that it does not have a plutonium surplus and the demand and supply situation match up. By 2010, Japan will have 85 tonnes of plutonium of which 22 to 33 tonnes will be used in fast breeder reactors, 10 tonnes in added thermal reactors and 50 tonnes in light water reactors.

Moriguchi says critics of Japan's nuclear programme are short-sighted. "Of course, we can't use the whole 4.5 tonnes now because we haven't built all the plants yet. But it takes more than 20 years to build one nuclear power plant."

He argues that the current global oversupply of uranium and plutonium is temporary: "Some 1,000 tonnes of uranium is only four to five years worth of global demand." Fears of Japan making nuclear weapons with the plutonium are unfounded, he says, since its nuclear programme is closely examined by international inspectors.

Kaneko also expects a sharp rise in demand from developing countries which are increasing their reliance on nuclear energy in the near future. "Since Japan's goal is to be completely self-sufficient, Japan wouldn't buy from outside even if there is a glut," says Moriguchi.

He points out that Japan will not drop its plutonium development plan as other leading western countries, with energy resources, have done. "We're not like the US or UK which have energy resources like oil and coal in their own countries."

Critics counter such arguments that the plutonium cycle cannot be sustained with additional uranium to create the fuel. Atsushi Sakurai, a physics researcher, says Japan cannot free itself totally from having to import uranium. For instance, if Japan – for any conceivable reason – broke off ties with the US, its main supplier of uranium, nuclear power stations using plutonium would only run for five years.

Meanwhile, there is evidence that the electric utility companies have started to drag their feet due to the cost of building new nuclear plants. The chairman of the Federation of Electric Power Companies recently announced the delay of construction of the demonstration fast breeder reactor planned for the late 1990s. Analysts expect this in turn to delay commercial use of fast breeder reactors until after 2020.

The companies are spending more than Y1,200bn (£7.5bn) for the construction of Rokkasho, a complex in northern Japan, which includes nuclear waste storage, enrichment facilities, and a planned reprocessing plant.

So what are the chances of Japan shifting its nuclear energy policy? The environment lobby says that due to mounting international fears of nuclear proliferation, a logical conclusion would be for Japan to scale down its plans. Under the new coalition government, including leftist parties which formerly opposed nuclear power, Japan could well shift its policy.

However, the administrators will probably try to avoid the embarrassment of announcing a complete change in stance and, at best, will officially postpone the current schedule.

One indication of what could happen may be gleaned from Mutsu, Japan's first nuclear-powered vessel, mothballed after a radiation leak on its maiden voyage in 1974. After strong public opposition to a further test voyage, the decision to scrap the project last year forced the government to admit to failure on reaching a national consensus on nuclear energy.

ARTS

Alastair Muir

Elaine Paige in the title role

Theatre/**Malcolm Rutherford**

Je regrette 'Piaf'

I missed the two great musical flops in London: the Norwegian *Which Witch* at the Piccadilly last year and *Eurovision* which has just closed after a near-record short run at the Vaudeville. They can hardly have been worse than *Piaf*, which deserves an even shorter run at the ill-fated Piccadilly.

To be accurate, *Piaf* is not quite a musical. The piece has been around for some years, but not in such a big theatre. Here it is described as "a musical play", written by Pam Gems, starring Elaine Paige and directed by Sir Peter Hall. Although *Piaf* may suggest an evening of song and nostalgia for things French, Piaf the woman had an interesting life in interesting times. It is conceivable that there is a good play to be written about her.

This is not it. A warning notice in the Piccadilly foyer should have warned us off. The show, it says, contains "strong language". Here is a random example (from Alexander Pope) of strong language at its best: "Yet let me flap this bug with gilded wings, This painted child of dirt that stinks and stings". There is scarcely a word in it that would offend on its own, yet the overall effect is lethal. To the Peter Hall/Mary Whitehouse school (birds of a feather) "strong language" means boring, repetitive swearing. How standards have slumped!

One four letter word is used, I think, only once. "Who wants some little cunt looking like a war widow?" says Paige's Piaf, "when they could have Doris Day?" Unfortunately it misfires. The natural reaction to this production is to think that a preference for Doris Day any time is absolutely right.

Swearing is not the only gratuitous element. Piaf may not have been well-educated, yet she must have spoken a more interesting and attractive French argot than the painful English with which she is here afflicted. The point about Piaf was that she could sing and did it in a French that carried around the world, just like Marlene Dietrich in German. It must have been quite difficult being French or German in the early 1940s, and having to live with the consequences afterwards. To reduce Piaf to some kind of inarticulate Lancastrian cockney is a huge disservice to a woman whose songs and spirit we shall continue to admire. This is the very worst kind of patronising English insularity.

Other gratuitous acts include sex and violence. At the start there are some silly simulations of the sexual act, which are done much better and more suggestively in the current production of *Cabaret* at the Donmar Warehouse. Violence is served on a plate. People kick each other in the groin and hit each other on the face at the first opportunity. Some of it may be intended to be funny. Yet you do not need to act out violence in full: only suggest.

One sympathises with Ms Paige for wanting to play the part. She is a fine actress who can belt out a song. But someone should have deterred her from this production: Peter Hall, perhaps? Incidentally *"Je ne regrette rien"* which finally comes after two and a half hours, is a wonderful number, but if you think about the words only a fool could believe in them. There should be a lot of regrets about this *Piaf*.

Piccadilly Theatre, (071) 867 1044

Television/**Christopher Dunkley**

'Effects' can make or mar the programme

Now that BBC1's hugely enjoyable series *To Play The King* has ended (with all the pieces neatly stored in position for a third story as soon as Michael Dobbs can write it) will BBC2's *Stark* take its place as the weekly drama treat we look forward to? Probably not. *Stark*, adapted by Ben Elton from his own novel, and starring Elton as the sex-starved nerd who stumbles across a conspiracy to pollute and take over the world, looks good enough: the Australian locations and the cast are more than adequate. But there is nothing here to compare with Ian Richardson's virtuoso performance as "F.U.", the vulpine politician in *To Play The King*. Furthermore, Elton's story, which seems to be a sort of green thriller, carries little conviction either as a thriller (it feels like a parody) or as a piece of environmental campaigning. Elton may genuinely feel strongly about such matters as toxic waste, but that is not the impression you get from *Stark*. His character's desire to get long legged mini-skirted Rachel into bed is much more convincing.

★

In the end it was Michael Ignatieff's bottomless reservoir of liberal understanding that was the undoing of *Blood And Belonging*. Of course sympathy for the refugee, the widow, the persecuted minority is admirable and perhaps even a necessity if you are to gain access and complete your series when your subject is nationalism. But given how appallingly destructive the mindless love of landscape has proved over so many centuries, given the insane vehemence with which people fight, even unto death, for the sake of a few folk songs, unconvincing fairy stories and embroidered waistcoats (all right, "national costume") it is surely the duty of a man with Ignatieff's intelligence to take a somewhat sceptical view of nationalism.

"All very well for someone secure in his own culture and country to be so dismissive", you may say, but it would seem to me as sensible (or, rather, as stupid) to die for the Apennines and Catholicism as for the Chilterns and morris dancing. Ignatieff spent his time listening sympathetically to people from Croatia to Canada who were only too eager to pour out their totalitarian bile for his cameras. Perhaps he would have made fewer friends but showing a little more anger at the futility and destructiveness of this attachment to myths and mountains would have made for a better series.

★

Rhodes Boyson on *Clive Anderson Talks Back*: "Mrs Thatcher was a tremendous person. I liked her very much. You could bounce golf balls off her without her noticing".

★

Do television producers bother to watch their own programmes prior to transmission ? If the answer is yes, then perhaps they should try watching them on the video recorders in their own homes rather than on professional studio equipment. The thought is prompted by this week's "Performance" drama on BBC2: *The Changeling*. All the viewers I have spoken to have said the same thing: thanks to the "background" music, foreground sound effects, and the actors' insistence on mumbling, it was difficult and sometimes impossible to hear the lines, at least in the early part of the play. If this was obvious to viewers why not to the professionals? Either they believe that the music and sound effects are more important than the words, or they are so familiar with the text that they do not notice the words cannot be heard. Or they just do not care. Whatever the reason, it is time someone high up in the broadcasting world did something to stop the slide towards the inaudible, not only in television but, ludicrously, in radio too.

It may also be time for someone to tell Bob Hoskins, who played De Flores, that there are more ways of expressing emotion than widening your eyes while gritting your teeth together and flailing your lips around. If he has nothing to replace this limiting and amateurish habit, he should be told to go and watch Anthony Hopkins' performance in *The Remains Of The Day* which provides a masterclass in the facial expression of emotion without words.

★

Alan Yentob, Controller of BBC1, has a nice sense of humour. If you had said last week that it was possible to produce an *Omnibus* documentary about the death of Tchaikovsky which would make Ken Russell's movie *The Music Lovers* look quite restrained, most people would have laughed like drains. Yet John Purdie and Anthony Holden managed it. As alternatives to the standard yarn about the composer dying after drinking a glass of water from the cholera tainted river (the version favoured by previous biographers including Russell) Holden offered two other possibilities: that he was ordered to commit suicide by a kangaroo court of old-boys from school because of his homosexuality, or that he contracted cholera from one of St Petersburg's rent boys. Yentob's little joke was to screen *The Music Lovers* immediately after the *Omnibus*. Thus we could watch Andrew Faulds, MP, shamelessly over acting, and Glenda Jackson, MP, in a nude scene that was long and melodramatic even by Russell's standards.

★

For anyone with a more than recreational interest in television, it is worth catching at least one episode of Channel 4's new Monday night police series *Homicide* since it will probably prove seminal without ever being awfully popular. The theme is entirely conventional: stories of a group of over worked detectives, this time in Baltimore. It is virtually impossible today to make an American police series which does not owe debts to *Hill Street Blues*, and sure enough *Homicide* interweaves the stories of various detectives and teams of detectives; moreover the attitudes and idiosyncracies of individuals are as important as the plots. Last week producer/director Barry Levinson kept the entire episode inside the precinct room, with the air conditioning broken down, a challenge which looked more like a student exercise in script writing than a real attempt to entertain the viewer.

It is the style, however, which is likely to be copied elsewhere. Levinson is using all sorts of techniques from journalism and sport to make *Homicide* look different. When people talk the camera is often hand-held, creeping right round them or swinging jerkily from one to another, as in a fly-on-the-wall documentary. During interviews he will fade to black instead of mixing or cutting. Every now and then he throws in a multiple-image shot, a bit like that famous photograph of a golf swing showing the club in all 360 degrees of a circle, or simply repeats a shot quickly while the dialogue continues. Much of it looks like tricksiness for its own sake, but it also looks undeniably different and it will be a surprise if other programme makers do not follow suit.

★

It turned out that *If You See God Tell Him* was not a situation comedy at all, but a situation tragedy. We should have guessed from the length of the episodes (45 minutes) and the absence of a laughter track that something was afoot, but what fooled us were the writers: we knew Marshall and Renwick from *Hot Metal* and *Alexei Sayle's Stuff* and assumed they would give us more comedy. Actually Godfrey Spry, absolute believer in the literal truth of the advertising slogan, stood revealed in the last (delayed) episode as a truly tragic figure, tried and convicted for a murder he did not commit.

'Homicide': a style of its own

Concert/**Richard Fairman**

Svetlanov's colourful Tchaikovsky

If the Philharmonia has been popping champagne corks, it is keeping them quiet. For all the speculation it seems politic to wait until the Arts Council formally announces its verdict on the funding for London's orchestras, a decision which has widely been reported to favour the Philharmonia.

For the time being it is business as usual. On Monday, that entailed a Russian concert at the Royal Festival Hall, where its main rival, the London Philharmonic, is orchestra-in-residence (but for how long?) The programme offered the popular coupling of Rachmaninov and Tchaikovsky, while there is still the excuse that it is a commemorative year for both of them. (The BBC documentary on the mysterious circumstances surrounding Tchaikovsky's death will have been fresh in people's minds.)

There was just one work by each. Of the pianists that I have heard playing Rachmaninov's Third Piano Concerto recently, Vladimir Ovchinikov is the one best equipped to tackle the concerto on the scale it demands. He has the notes, including the long cadenza, and judges the balance with the orchestra well. He is not too barnstorming like Donohoe, not over poetic like Hough, never just the dextrous technician.

Unfortunately, it is those negative virtues that one comes away with at the end. If only he could be more daring expressively, Ovchinikov might communicate more of what he feels about the music. It might seem ungenerous to say so, after he had laboured so diligently for nearly an hour, but it was only Yevgeny Svetlanov's brazen whipping-up of the final orchestral climax that brought the concerto triumphantly sailing into port.

Svetlanov is one of the musical world's showmen. His performance of Tchaikovsky's Fourth Symphony was flamboyant and colourful, uncomplicated in its assessment of the issues the symphony addresses. None of that "What did Tchaikovsky die of?" nonsense for him. Svetlanov's Tchaikovsky is in the grip of raging high blood pressure and exhibits a dangerous excess of red corpuscles.

Asked to play boldly and loudly, the Philharmonia has no trouble delivering the goods. It could even play the last movement with panache at the speed that Svetlanov wanted. But there is limited sensitivity to colour and internal balance in the orchestra's playing, of the kind it will need to show if it is to live up to the "international first division" reputation being thrust upon it. The Philharmonia needs an experienced orchestral trainer at its head. Its choice of new Music Director, due to be announced as soon as the Arts Council is ready, will be crucial.

Gala concert in aid of Cancerkin, sponsored by Elf

Obituary

Joan Cross

The soprano Joan Cross, one of the most distinguished singers since the first world war, has died at the age of 93 in London. Born in 1900, she studied under the composer Holst. She then graduated from the Old Vic chorus to small solo parts before becoming leading soprano at the sister-theatre, Sadler's Wells. This phase of her career culminated in 1945, when she sang Ellen Orford in the first production of Britten's *Peter Grimes*.

Joan Cross remained closely associated with Britten, as a founder member of the English Opera Group formed in 1946 and as the creator of a succession of leading roles in his operas – the Female Chorus in *The Rape of Lucretia*, Lady Billows in *Albert Herring*, Queen Elizabeth in *Gloriana* (at Covent Garden), Mrs Grose in *The Turn of the Screw*. She worked as opera producer in London, Holland and Norway and, with Anne Wood, founded the Opera School (later National School of Opera) in 1948.

In praising all she did at a time of operatic consolidation in Britain there is a danger of overlooking Cross's excellence as a singer of the standard repertory. In Mozart her Fiordiligi and in Verdi her Desdemona must serve as just two admirable examples of her use of an English-type soprano voice under masterly control with quiet but unmistakable authority.

She was not a glamorous performer, but her sense of style, respect for words and music and sharp intelligence were ample compensation. In a war-time *Beggar's Opera* her gin-soaked, tatterdemalion Mrs Peachum revealed a gift for character acting not fully exploited. She was awarded a CBE in 1951.

Ronald Crichton

Pantomime/**Alastair Macaulay**

Pinocchio

Thank heaven for stories and storytelling; and for theatre and theatricality. *The New Adventures of Pinocchio*, with which the Mermaid Theatre has just reopened, has virtually nothing going for it except that it tells a story its audience (average age 2-10) wants to follow, and tells it in a way that could only be achieved by live theatre. No adult should go unless accompanied by at least one child; but, for those that do, there is some delight to be had in studying the way it works upon the tinies.

The staging, directed for Parasol Theatre by Richard Gill, makes blunder upon blunder. When the puppets "speak", it is obvious that "their" voices are spoken by adults – both amplified and muffled to boot. One actor hollers his lines – a bore, but audible. Another fails to project hers: prettily inaudible. A third speaks his in a fake Italian accent so thick that even the grown-ups have to do some deciphering. Several of the lines are too literary to make sense to the kids. Pinocchio is said to be a puppet without strings, but we see both strings and puppeteer. These mistakes puzzles the children and their attention wanders.

Yet never for long, because they want to know what will happen next; or, rather, they want to know that the story will work out the way they have been told it works out. Also because, though the characters have been far better depicted by Disney and in books, there is innocent fun to be had in watching how live theatre brings off such things as Pinocchio's nose growing or shrinking; or the sea-voyage out from Naples harbour; or Pinocchio and Pa battling in the waves. Not to mention how the whole tale is told by a cast of five, with puppets, dance, mime, and the staple panto routines of "Be-*hind* you!" and "Oh-yes-you-are!"

I would like nonetheless to say there must be better things than this in the West End for young children this Christmas. But are there? True pantomime these days only occurs outside the centre of our capital. I worry about this, for Christmas is a perfect time in which to introduce kids to live theatre in all its multi-layered fun. Suitable fare for kids should be more widely on offer in town. But if you feel that your child is too young for rock musicals or Roald Dahl, and unsuited to the sublime theatrical fantasy of ballet, then *Pinocchio* it will have to be.

At the Mermaid Theatre, EC4. 071-410-0000. Until January 8

INTERNATIONAL

ARTS GUIDE

■ BONN

Tonight's performance at the Oper is Jenufa, conducted by Dennis Russell Davies and staged by Yuri Lyubimov (repeated Dec 19 and 29). Repertory also includes Cav and Pag and Lortzing's Der Wildschütz. Valery Panov's new production of Prokofiev's ballet Cinderella opens on Christmas Day (0228-773667)

COLOGNE

Philharmonie Maurice André plays baroque trumpet concertos tonight with Munich Chamber Orchestra. Yehudi Menuhin conducts Sinfonia Varsovia tomorrow in a Beethoven programme. Ludwig Güttler is trumpet soloist in a programme of baroque concertos on Sun evening. On Sun morning and Mon and Tues evenings, James Conlon conducts Gürzenich Orchestra in a Beethoven programme, with piano soloist Emanuel Ax. Dec 30: Barenboim conducts Beethoven's Ninth (0221-2801)

Opernhaus The main event this week is the premiere tomorrow of Peer Gynt, a new TanzForum production choreographed by Jochen Ulrich (repeated Dec 19, 29). Opera repertory over the Christmas period is devoted to L'Italiana in Algeri, Die Zauberflöte and Hansel and Gretel (0221-221 8400)

DRESDEN

Semperoper Tonight's Staatskapelle concert, conducted by Siegfried Kurz, features music by Honegger, Tomasi and Strauss. Repertory over Christmas and New Year consists of Arabella, Ariadne auf Naxos, Les Contes d'Hoffmann, the Berghaus production of Tosca and a ballet mixed bill. Bernd Weikl heads the cast in Meistersinger on Christmas Day, and Heinz Wallberg conducts a Viennese programme on New Year's Eve and Jan 1 (0351-484 2323)

DÜSSELDORF

Deutsche Oper am Rhein A Ring cycle conducted by Hans Wallat continues with Die Walküre on Fri, Siegfried next Tues and Götterdämmerung on Christmas Day. Repertory also includes Hansel and Gretel, Aida and two ballets by Heinz Spoerli. Kurt Moll gives a song recital on Sat (0211-890 8211). Duisburg Theatre has Pet Halmen's production of Turandot starring Sabine Hass and a new ballet production with choreographies by Balanchine, Van Manen and Spoerli (0203-300 9100)

Schauspielhaus The Christmas production is a new staging of Die Fledermaus, opening on Sat. Repertory includes Shakespeare's Romeo and Juliet and Troilus and Cressida, Ibsen's Peer Gynt, Eugene O'Neill's Mourning Becomes Electra and Büchner's Woyzeck (tickets 0211-369911 information 0211-162200)

FRANKFURT

Alte Oper Tonight: Yehudi Menuhin conducts Sinfonia Varsovia in works by Beethoven. Tomorrow, Fri: Leonard Slatkin conducts Frankfurt Radio Symphony Orchestra in Dukas, Haydn and Brahms, with piano soloist Emanuel Ax. Dec 21: first night of My Fair Lady (069-134 0400)

Jahrhunderthalle Hoechst Tonight, tomorrow, Fri: Russian State Ballet in excerpts from classical ballets. Sat: Semyon Bychkov conducts Bamberg Symphony Orchestra in works by Wagner, Mendelssohn and Strauss, with the Labeque Sisters (069-360 1240)

Oper Sun, next Wed: Les Contes d'Hoffmann. Dec 25, 31: Die Fledermaus (069-236061)

GOTHENBURG

Konserthuset Jesus Lopez Cobos conducts Gothenburg Symphony Orchestra and Chorus tomorrow and Fri in Haydn's The Seasons, with soloists including Barbara Bonney (031-167000)

HAMBURG

Staatsoper Repertory over the Christmas period consists of John Neumeier's version of Swan Lake, Tannhäuser, La boheme and Lortzing's Der Wildschütz (040-351721)

Musikhalle Württemberg Chamber Orchestra gives a concert tomorrow, followed by North German Radio Orchestra on Fri and Sat. Trevor Pinnock directs the English Concert next Tues and Wed (040-354414)

Deutsches Schauspielhaus Herbert Wernicke's new production of Der Zigeunerbaron is premiered on Fri. Repertory includes a new version of Goethe's Faust and the first German-language production of Tony Kushner's Angels in America (040-248713)

LEIPZIG

Gewandhaus Herbert Blomstedt conducts Gewandhaus Orchestra tomorrow and Fri in works by Stenhammar and Beethoven. Hermann Prey gives a song recital on Sat, and Frank Peter Zimmermann plays violin sonatas by Beethoven, Fauré and others on Sun. Gewandhaus Chorus takes part in a performances of Handel's Judus Maccabeus next Tues. Kurt Masur conducts Beethoven's Ninth Symphony on Dec 29, 30 and 31 (0341-713 2280)

Opernhaus Repertory over the Christmas season includes a new Stravinsky ballet production choreographed by Uwe Scholz, Coppelia, Die Zauberflöte, Le nozze di Figaro and Hansel and Gretel (0341-291036)

LYON

Opéra Tonight: Anthony Rolfe Johnson song recital. Tomorrow, Sat: Don Giovanni with William Shimell. Next Tues: first night of Prokofiev's ballet Cinderella, choreographed by Maguy Marin, daily except Dec 25 and 27 till Dec 31 (tel 7200 4545 fax 7200 4546)

Auditorium Tonight: Alicia de Larrocha piano recital. Tomorrow, Sat: Emmanuel Krivine conducts Orchestre National de Lyon in works by Falla, Sarasate and Rimsky-Korsakov. Dec 31: Viennese programme with soprano Valerie Masterson (7860 3713)

MUNICH

Staatsoper Tonight: John Neumeier's ballet A Midsummer Night's Dream. Tomorrow, Sun, next Wed: Richard Armstrong conducts Tim Albery's production of Peter Grimes, with René Kollo, Donald McIntyre and Pamela Coburn. Fri: Hansel and Gretel. Sat: Die Zauberflöte. Mon and Tues: Neeme Järvi conducts Bavarian State Orchestra in symphonies by Tubin and Tchaikovsky (089-221316)

Gärtnerplatztheater A new production of Oscar Strauss's operetta Ein Walzertraum opens on Sun. Repertory includes Hansel and Gretel, Nutcracker and Rossini's La scala di seta (089-201 6767)

OSLO

Konserthus Tomorrow, Fri: Frans Brüggen conducts Oslo Philharmonic Orchestra and Chorus in Haydn's The Creation, with Charlotte Margiono and Robert Holl (2283 3200)

STOCKHOLM

Royal Opera The company's Christmas production is a children's opera by Wilfried Hiller entitled The Dream Glutton, opening on Sat. Repertory includes La traviata and the Ashton production of Prokofiev's ballet Cinderella (tickets 08-248240 information 08-203515)

Konserthuset Tonight, tomorrow: Sixten Ehrling conducts Royal Stockholm Philharmonic Orchestra in works by Brahms, Tchaikovsky and Stravinsky, with piano soloist Greta Erikson (tickets 08-102110 information 08-212520)

Berwaldhallen Tomorrow, Fri: Esa-Pekka Salonen conducts Swedish Radio Symphony Orchestra in two programmes, including Beethoven's Eighth Symphony and Stravinsky's Petrushka (08-784 1800)

STRASBOURG

Palais de la Musique Fri: Okko Kamu conducts Strasbourg Philharmonic Orchestra in Tchaikovsky's First Piano Concerto and First Symphony (8852 1845)

Théâtre Municipal Sat: Friedrich Haider conducts first night of Dieter Kaegi's new production of The Merry Widow, with Carole Farley as Hanna Glawari. Repeated Dec 19, 21, 22, 23, 27, 28, 29 (8875 4823)

STUTTGART

Staatstheater Tonight, Sun: Ruth Berghaus' production of La traviata. Tomorrow, Sat: Stuttgart Ballet in Renato Zanella's new work entitled Mata Hari, music by Shostakovich. Fri, next Wed: Otello with Vladimir Atlantov. Mon: Marcia Haydée's production of Giselle. Tues: revival of three Ernst Krenek one-act operas (0711-221795)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
Super Channel: European Business Today 2230; repeated 0630, 0715
MONDAY
Super Channel: FT Reports 1230.
TUESDAY
Super Channel: West of Moscow 1230
Euronews: FT Reports 0745, 1315, 1545, 1845, 2345
WEDNESDAY
Super Channel: FT Reports 1230
THURSDAY
Super Channel: West of Moscow 1230; FT Reports 2130
Euronews 0745, 1315, 1545, 1845
FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030
SATURDAY
Sky News: 0330; 1330
SUNDAY
Super Channel: FT Reports 2230
Sky News: FT Reports 1730; 0430

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Edward Mortimer

All is not yet lost

Russia's democrats can still prevail if their nerve does not fail

"It would be quite wrong," said Mr Quentin Davies, MP for Stamford and Spalding, "for me as a foreign observer to express a preference for *one of your political parties* over another. But of course we are all delighted that you have chosen the democratic path."

"Yes," said the lady who was counting ballot papers at the Palace of Culture in Serpukhov, about 100km south-east of Moscow, in the small hours of Monday morning. "But I wonder for how long."

This is a question many people inside and outside Russia have been asking themselves, since Mr Vladimir Zhirinovsky, the authoritarian nationalist leader who has the nerve to call himself "Liberal Democrat", emerged as the main winner of Sunday's election. His will be the largest single party in Russia's first freely elected parliament, and the combined forces of nationalism and communism will outnumber those firmly committed to democracy.

The stakes are raised by President Boris Yeltsin's success in winning approval for a constitution that vests sweeping powers in the presidency. Those powers will be dangerous enough, some think, in Mr Yeltsin's hands. How much more so if Mr Zhirinovsky were to emerge as his successor.

Ominously, perhaps, Mr Zhirinovsky was the one opposition leader who supported the new constitution.

But all is not yet lost. Everything depends on how Mr Yeltsin uses his new powers. He modelled them deliberately on those of the French president, though in some respects they go further. Most notably, he now has the power to "issue decrees and executive orders" which "shall be binding throughout the territory of the Russian Federation". The only limitation is that they may not contravene the constitution "or federal laws".

The constitutional court – composed of 19 judges appointed by the upper house of parliament – has power to declare presidential decrees unconstitutional.

But it is only if they have the effect of introducing martial law or a state of emergency that they require direct approval of the upper house.

The constitution follows the French rather than the American model in that the government, though appointed by the president, must enjoy the confidence of the lower house of parliament, called the State Duma. The prime minister can only take office with the Duma's consent. The government, once formed, serves at the president's pleasure, but if the Duma expresses its lack of confidence in the government twice in three months, the president must either dismiss the government or dissolve the Duma.

It may be weeks before the balance of power within the Duma becomes clear

Mr Yeltsin has given himself the right to dissolve the Duma and call new elections if it rejects his candidate for prime minister three times. The right to dissolve after a no-confidence vote does not apply in the first year of a new parliament's life.

In theory this gives the newly elected parliamentary majority the power to force Mr Yeltsin to "cohabit" (*à la française*) for at least a year with a government that enjoys its support.

In practice, this will not happen, because there will not be a parliamentary majority in that sense. Mr Zhirinovsky is far from being in a position comparable to that of Mr Jacques Chirac, the Gaullist leader who was able to impose his own choice of prime minister on President François Mitterrand after winning this year's parliamentary election in France.

Even in the half of the Duma elected by proportional representation, using party lists, Mr Zhirinovsky's party will be far short of an overall majority. And things will be much less clear in the other half, elected by a single ballot in single-*member constituencies*.

In Britain, there are long-established and highly organised parties with a firm base of public support, giving a strong advantage to the leading one or two parties and accentuating polarisation. But in Russia parties are new and hardly organised. In Sunday's election most constituencies had many candidates, very few of whom advertised a party affiliation on the ballot paper. Voters appear to have been either unaware of such affiliations or uninfluenced by them.

So even if Mr Zhirinovsky forms a close alliance with the communists and agrarians (which is by no means guaranteed) he will still not command a majority unless he can win over a broad swathe of deputies who have no strong party affiliation, mandated mainly to defend local interests.

It may be weeks before the balance of power within the Duma becomes clear, and even then it will be a shifting one. The skills required for analysing this phase of Russian democracy will be those of historians like Sir Lewis Namier, who analysed 18th-century British politics in terms of the local, family and business connections of individual MPs, or Sir Ronald Syme, who by collating a variety of sources laboriously identified the bit players in the turmoil of the late Roman republic.

In a contest for the votes of independent or semi-independent members, a strong executive is at a great advantage, even without a strong party base of its own, as monarchs from George III to Bill Clinton could attest.

Let us hope Mr Yeltsin makes good use of the powers he has given himself – or rather that the people have now given him. Let us hope he resists the temptation to try to co-opt Mr Zhirinovsky, or to compete with him in "Great Russian" chauvinism.

We should know, by now, that fascism only thrives on appeasement. Mr Zhirinovsky remains eminently beatable, if democratic Russians do not lose their nerve.

UK vocational education is under fire in a new report, write **John Authers** and **Lisa Wood**

Little knowledge is a dangerous thing

An employment consultant listening to Mr Kenneth Clarke's announcement in the Budget that the UK government would introduce a "modern" apprenticeship scheme suggested to his wife that their son might like to pursue such a route.

"My son . . . an apprentice?" she screamed. "He is bright and will go to university."

This kind of traditional aca*demic snobbery* is one of the biggest problems facing British manufacturing today. Deep-seated skills problems threaten to stifle recovery and leave the UK vulnerable to competition from both European and increasingly high-tech Asian economies.

A report published today *pinpoints the crisis. It says the system of vocational qualifications phased in by the government over the past three years is a "disaster of epic proportions".

Professor Alan Smithers and his team from Manchester University's Centre for Education and Employment concentrate their attack on two reforms: national vocational qualifications (NVQs), which are work-based and measure an individual's ability to do a task, and the general national vocational qualification (GNVQ), intended as an alternative to A-levels mainly for students in full-time education. Both qualifications – introduced in workplaces and schools – are based on what a student can do, rather than the knowledge or theory acquired about a particular subject.

In comments which will intensify the debate between adherents of the new system and its critics, Prof Smithers claims both NVQs and GNVQs are inferior to previous training schemes and to comparable European courses.

Response to the report has been swift. Mr Tony Webb, director of training at the Confederation of British Industry, one of the driving forces behind the new qualifications, said: "There is a great deal of misunderstanding about what NVQs are. To an employer it is what somebody can do that matters."

In marked contrast, Professor Sig Prais, of the independent think tank, the National Institute for Economics and Social Research, a noted critic of NVQs, said: "The government may now be sufficiently embarrassed in order that it reconsider the whole system."

Such a move is highly unlikely despite the fact that training for 16-to-19-year-olds in the UK is unco-ordinated and controlled by different government departments. GNVQs, for example, are an education department responsibility, while NVQs come under the employment department.

Both departments are trying to give more status to the new qualifications. For instance, the apprenticeship scheme announced in the Budget, under the employment department, will be based on NVQs. Meanwhile, the current review of the National Curriculum for 14-to-18-year-olds, by Sir Ron Dearing for the education department, is expected to recommend a stronger emphasis on GNVQ.

So what has the government been trying to do with its vocational education standards and provision? Mr Tim Boswell, further education minister said: "We believe the broad structure is right and that we can build on it to have a really powerful range of qualifications."

Nevertheless the problem is plain. Britain's workforce is under-educated and under-qualified. Only 18 per cent of the UK workforce, for example, is qualified to craft level – skilled carpenters for example – whereas in Germany the figure is 56 per cent, France 33 per cent and the Netherlands 38 per cent.

Other international comparisons are revealing although direct contrasts along the lines attempted by the Organisation for Economic Co-operation and Development (see accompanying graph) are difficult because countries use different training schemes.

Prof Prais points out that the German figure for 16-to-18-year-olds in full-time vocational educational is swollen by the numbers of apprentices on the country's "dual scheme", who spend most of the week with their employer, spending only one or two days at a college.

However, his own figures also rank the UK's vocational provision low compared with its main economic competitors. He says that 64 per cent of the British workforce has no vocational qualifications, compared with 26 per cent in Germany, and 23 per cent in Switzerland.

An awareness that there is a shortage of skilled workers has forced the government to rethink vocational education. It has sought to establish three routes into the world of work for young people: a work-based route built on NVQs; the GNVQ (now renamed "vocational A-levels" by the education department); and the "A" level.

Deciding what amounts to competence pits academics against business bodies

An effective, competence–based qualifications system is critical to reform, the government believes. But here is the rub – deciding what amounts to competence pits academics such as Prof Smithers against business bodies such as the CBI.

According to Prof Smithers, the educational theory of NVQs "is loosely derived from behavioural psychology, and argues it is what people do that counts, their competence (to perform a task)". Examiners assume that what pupils know or understand can be inferred from what they do.

By contrast, Prof Smithers and other conservative academics believe that both practical ability and trainees' theoretical grasp of their tasks must be tested. In most European countries, trainees take practical and written examinations, both of which must be judged acceptable by external examiners, before they can gain a qualification.

The added theory can be vital, critics of the current system claim. One college lecturer suggests that a young NVQ-qualified craftsman could build a brick wall, but "because he had never been taught about the effects of freezing weather on water, he would not know what to do when it was cold, and neither would he know what to do in hot weather. So your wall would probably fall down within a couple of years."

Testing on the continent is also more rigorously linked to the needs of the workplace. In Switzerland, for instance, trainees lose marks for taking more than a fixed time to complete work, and must produce consistent quality. Prof Prais says that in the UK, examiners are more concerned to ensure candidates can reach a certain standard – not necessarily that they do so consistently – and do not set a time limit for the work.

According to Prof Prais: "It's vital for the economics of production for someone to be trained to do something reliably and punctually. We have given up testing for that kind of thing."

A National Institute study of workplace practices in Europe found serious UK inadequacies which could be attributed to training:

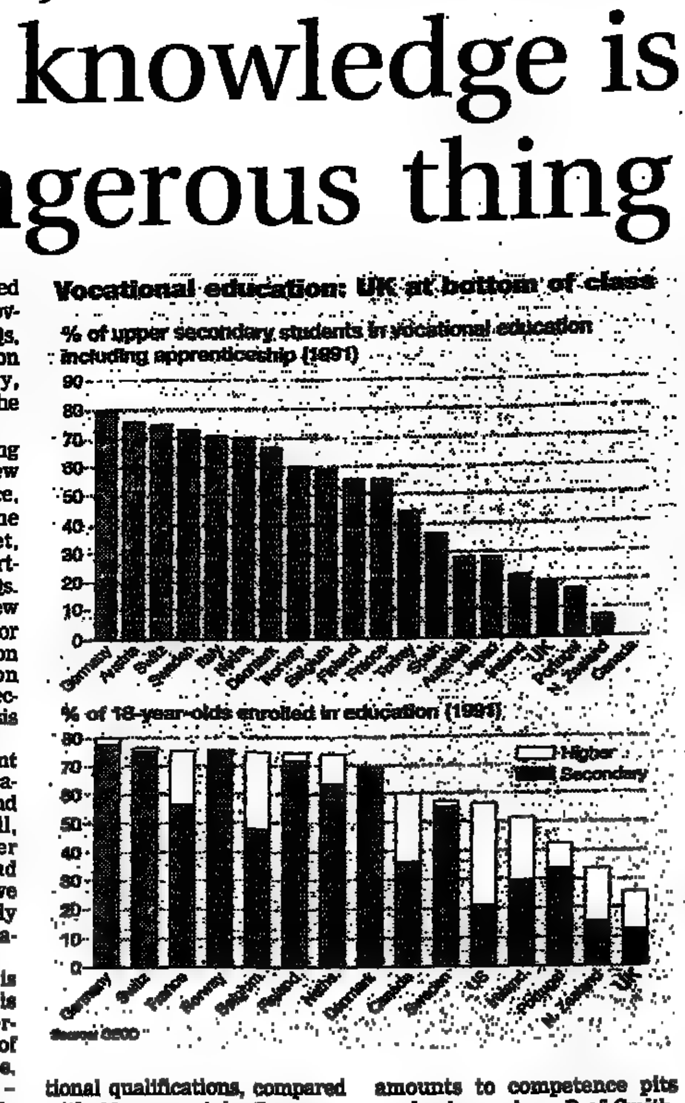
- Machinery maintenance was found to be routine on the continent, but in Britain was left to smaller "firefighting" teams of qualified craftsmen. Normal machine operators did not understand how to practise good maintenance.
- In the clothing industry, qualified German workers could reach an efficient working speed on a new garment within three days, while an English worker would typically take three weeks.

On this evidence, British employers seem sorely let down by the education and training system. Even though they may recruit workers who are competent in their immediate tasks, they will not in the long run have a workforce with a broad range of flexible and competitive skills.

Changing the system to satisfy their needs along the lines identified in Switzerland and Germany requires both clarity of government objectives and a recognition by employers that their best interests lie in a deeper commitment to high-level training. Prof Smithers report shows that consensus on the way forward is as far away as ever.

* *All Our Futures – Britain's Educational Revolution: Prof Alan Smithers, Channel Four, PO Box 4000, London W3 6XJ; free with sae*

Vocational education: UK at bottom of class



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

'Disaster' for jobs if Thorp not opened

From Donald Macgregor.

Sir, The decision allowing Thorp nuclear reprocessing plant to go ahead is imminent, as you reported ("Thorp plant to be given go-ahead", December 14). If it is announced today it will fall by coincidence the day before the latest unemployment figures are available. The two subjects are critically intertwined, and at the GMB we are concerned to protect our members' jobs and the environment within which they work and live.

The consequences for thousands of jobs should Thorp not be commissioned are frightening in the current economic climate. For Sellafield and west Cumbria it will be a disaster.

The plant would support 2,100 full-time jobs, with the additional knock-on effect likely to be the creation of a further 1,000 new jobs. Thorp is a vital part of British Nuclear Fuel's work at Sellafield and is crucial to the future of the 8,000 jobs on site.

We hope the government will announce that Thorp can finally go ahead. The decision to commission would come after the most vigorous and comprehensive examination of all the issues, not the least of which is safety and the environmental effects.

At every stage of the Thorp project, from conception and design to construction and commission, the regulatory authorities have scrutinised and endorsed the companies' activities.

BNFL is at the cutting edge of new technology, winning jobs and vital currency for Britain. If the government's claim to support British companies abroad is to be believed then Thorp must go ahead. The GMB is convinced that all the evidence shows a positive decision on Thorp is the right one. It would put BNFL on a sound footing and give the nuclear industry a welcome vote of confidence.

Donald Macgregor,
national secretary, energy and utilities,
GMB Union,
22-24 Worple Road,
London SW19 4DD

Public finance must lure private funding to transport network

From Francisco L Borges.

Sir, As a US market leader in insuring municipal bonds, we would endorse the comments made in your editorial, "A mega-bond for London" (November 29), that the issue of bonds secured by future revenue streams could be the answer to the capital's transport infrastructure problems.

However, our experience suggests government should recognise that, in most cases, public finance up front would be required to attract private investors. Bond finance could come in after one to three years of operation when a track record of revenue streams and a credit rating for the issuing body had been established.

A number of "live" projects is required to develop a senior bond market for long-term debt. Therefore, the chancellor's budget announcements on development of private finance initiatives are a welcome step, although a firm foundation for the ground-rules needs to be established.

Francisco L Borges,
managing director, public finance,
Financial Guaranty Insurance Company,
115 Broadway,
New York, NY 10006, US

Christmas too early for MPs?

From Mr Michael Henderson-Begg.

Sir, If the parliamentary timetable is so tight that the government is obliged to introduce guillotine motions to ensure the passage of its legislation this week and the opposition has decided to withdraw pairing co-operation ("Labour halts co-operation with Tories", December 10), why is parliament starting its Christmas recess on December 17, one week before most of the rest of the country commences its Christmas holiday?

Michael Henderson-Begg,
Bartholomew House,
66 Westbury Road,
New Malden,
Surrey KT3 5AS

Tax change forced Scottish plant job cuts

From Mr Peter G Knight.

Sir, Your Article "US group cuts 200 jobs in Ayrshire" (October 29) misses a very key point – that the UK and EU governments effectively changed the tax position of the plant in Scotland.

When Conner opened its plant in 1990, disc drives imported into the EC attracted a small duty (4.9 per cent). This amount helped Conner cover the higher costs of production in Scotland compared to plants in the Far East.

Our competitors made several attempts to get this duty removed – finally doing so via a quota loophole which included imports from certain countries in Asia where most disc drives are made. We were then left with paying duty on parts being imported while finished products were imported duty free.

Conner did not get the support it should have from the Department of Trade and Industry and the Scottish Office to close this loophole or administer the quota effectively. Conner has committed significant capital, resources, technology and management time to its operation in Scotland. We also benefited from a fine workforce. But if a government changes the regulatory conditions such that higher cost and lower prices result, the business model on which a plant is founded will no longer hold up.

The real nonsense from the UK taxpayers' standpoint is that they paid to help set up the plant, then paid for competitive products to be imported from the Far East.

Peter G Knight,
senior vice president business development,
Conner Peripherals,
3081 Zanker Road,
San Jose, California, US

A debatable argument on censorship

From Dr David J Strawbridge.

Sir, Nigel Andrews ("Why videos are not so nasty", December 3) seems to be sure that no extremes of violence, horror, evil or vice portrayed on screen in the home can harm anybody except, perhaps, 0.1 per cent of the viewers, who, he admits, might imitate what they saw. Of some 50m, that is rather a lot of people.

His argument that all the evils of society should be represented in our culture is at least debatable. Represented how, and to whom? Adult intellectuals may be unharmed or, indeed, enlightened by literature that could put evil ideas into more feeble-minded folk and would cause children to act out undesirable situations. Few would deny that *Jude the Obscure* offers what Nigel Andrews might call cultural insight, but would he like small children to watch, on the screen, one child hanging two others and then himself behind a bedroom door? And that very act, in the story, was, as the doctor said, because a child had seen the terrors of life before he was old enough to have the staying power to resist them.

Whatever the argument about censorship, it must be obvious that the screen in the home throws enormous responsibility upon parents, many of whom are at least careless, if not thoughtless or even feckless. A caring society should bear them and their children in mind as well as being concerned with intellectual freedom. Perhaps Nigel Andrews has had less experience with children than your ex-teacher correspondent Diana Schomberg (Letters, same date).

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FINANCIAL TIMES

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Wednesday December 15 1993

Jaw-jaw in Ulster

The continuing series of telephone conversations between the British and Irish prime ministers suggests that an agreed statement on the way forward to a peace deal for Ulster may be at hand. It is always a mistake to be unduly optimistic about Northern Ireland, as the latest IRA 1,000lb bomb, discovered and defused in Belfast yesterday, indicates. Yet there is evidence of a strong desire for peace in both the north and south of Ireland. More to the point, the possible outlines of an agreement that should command support from all but the most recalcitrant extremists can now be discerned.

One element might be some form of devolved assembly for the governance of the province. Its exact composition and functions would have to be negotiated with the legitimate political parties of Ulster. Once the IRA has convincingly turned away from violence Sinn Fein will doubtless be invited to join those negotiations. Mechanisms for co-operation between Dublin and Belfast might be included in the eventual package.

Such constitutional details are of secondary importance to the Anglo-Irish declaration of intent on which Mr John Major and Mr Albert Reynolds spent so much telephone time yesterday. In this delicate area every word is potentially lethal. Both prime ministers propose a guarantee that the constitutional status of Ulster will not be changed without the consent of its people, but agreement on everything else is difficult.

Referendum

The IRA, which should not be permitted to call the tune, might, it appears, accept a northern veto on Irish unity, but only if the proposition is first approved by a referendum of all the people of the island of Ireland, north and south. That is unacceptable to many unionists. Mr Reynolds has offered to relinquish the articles in the republic's constitution that claim the territory of Northern Ireland, in return for a British statement recognising as legitimate, and promoting, the aspiration for Irish unity. Such a statement has proved difficult to agree. Mr Major has to consider the possibility of setting off a new outburst of violence by loyalist paramilitaries if he appears to lean too strongly in the republican direction.

In marches and opinion polls the people of Ireland and Ulster have expressed their desire for the talks between the two prime ministers to succeed. Business leaders concur, as the FT's survey of senior business opinion in the province indicates. The poll, taken on Thursday and Friday of last week, reflects the views of chief executives of leading firms. Of 80 companies approached, 56 responded. This suggests an unprecedented willingness to express a business view of the politics of Northern Ireland. It is a measure of the economic damage that the troubles have done.

Opportunities

Perhaps it is not so surprising that 88 per cent of those who replied to the FT questionnaire said that an agreed political settlement that achieved an end to the violence would have a "very" or "fairly" positive effect on business and economic opportunities. The chief executives were, however, evenly split on the prospects. Most of them do not believe that terrorism can be defeated by military means. Some 70 per cent believe that it is impossible to defeat the IRA; the corresponding figure for the loyalist paramilitaries is 64 per cent.

In the nature of things in the province business leaders are more likely to be Protestants than Catholics. It is striking that 62 per cent of them accept the notion of separate referenda in both parts of the island, albeit on the assumption that the purpose would be to affirm a deal guaranteeing a majority veto in Northern Ireland and leading to an end to the Republic's constitutional claim to the north.

There is also a remarkable degree of support for negotiation with Sinn Fein – 38 per cent at once, or as soon as the IRA announces that it will abandon violence, and 58 per cent after the IRA has kept to a peaceful path for a substantial period of time. Just over half the respondents favoured stronger devolved power structures in the province, and a third thought business would prosper if there were north-south links. If this survey reflects moderate opinion, an effective statement of intent can be agreed. Until they have one, Mr Major and Mr Reynolds must keep talking.

Gatt and the media

It is tempting to characterise the transatlantic deadlock over whether audio-visual trade should be included in the Uruguay Round as the result of divergent perceptions. The US negotiating position is based on the outright pursuit of economic advantage. But according to the European Union, and particularly France, the central issue is the preservation of cultural identity.

However, the distinction is largely false. Though some of the EU's arguments have merit, many look like a smokescreen for efforts to perpetuate cosy broadcasting practices which serve the interests of politicians and media monopolists more than those of viewers. On these grounds, Europe has as much to lose as Hollywood from a failure to agree a liberalisation deal.

The EU's case is strongest, and Washington's weakest, on the question of subsidies. The US says it wants curbs on public funding of film and entertainment production. Yet it also insists American artists should share the proceeds from European levies on recording tapes. As well as being inconsistent, this latter demand is an unacceptable attempt to intervene in the fiscal policies of sovereign states.

However, the biggest stumbling block is the EU's attempts to limit the proportion of programming from outside its frontiers which may be shown on television. Such restrictions already apply, in principle at least, to national broadcast networks. Now Brussels plans, against strenuous US objections, to impose similar quotas on cable, satellite and video-on-request channels.

Tidal wave

The pretext is that Europe's viewers and entertainment industries will otherwise be swamped by a tidal wave of Hollywood programmes, sold at knockdown prices because their costs have already been covered by sales on their large home market. Both the measures proposed to support this policy and the motivations behind them are indefensible. That Europe's entertainment industries cannot match Hollywood's scale economies is not due to some unfair US advantage. It is because European film makers and broadcasters have been so much less successful than their American competitors in producing and marketing programmes which appeal to audiences outside their home countries.

In any case, there is something profoundly impractical about applying "local content" rules to a business as international as media entertainment, in which capital, talent and production resources regularly flow freely across borders. More preposterous still is the idea that quotas can be enforced on rapidly proliferating cable and satellite channels, some of which originate outside the EU's borders.

Sheer power

What is disturbing is that European governments believe the game is worth playing. The charitable explanation is that they have yet fully to comprehend the sheer power, scope and diversity of the new media technologies. Another view is that many of them are motivated less by high-minded defence of cultural integrity than by a concern with preserving the capacity for influencing public opinion afforded by control of the audio-visual media.

If that seems fanciful, note that the French government this week has named as head of the two state-controlled television stations an interviewer known for his close links with conservative politicians. And Mr Silvio Berlusconi, who has skilfully used political connections to help him dominate Italy's privately owned broadcasting media, has allied himself publicly with Mr Umberto Bossi, head of the Northern League.

It may be argued that the importance of political control over the media will gradually diminish, as the choice of alternative delivery channels expands. The danger is that the more immediate that prospect becomes, the more extreme will become the measures taken by governments to thwart it. They may not stem the tide, but they risk handicapping European efforts to compete effectively on the new media markets. Though it is vital that the issue is not allowed to torpedo the Uruguay Round, any progress made by the US in nudging the EU towards liberalisation should be welcomed.

Few havens in stormy seas

FT writers on the effects on European exporters of exchange rate instability

European business has had a rough ride into the new world of floating currencies.

After the succession of crises in Europe's exchange rate mechanism over the past 15 months, hopes of a smooth transition to a single European currency have been dashed. Companies have been affected differently by the exchange rate upsets, which started with the ERM withdrawals of sterling and the lira in September 1992 and culminated in the forced widening of fluctuation bands in August. The overall effect, however, seems to have been a deepening of Europe's recession, now the most severe since 1974-75.

Mr Ruthert Reisch, treasurer at Volkswagen, the German car group, says: "We look upon European currencies as a freely floating exchange rate system. We treat the pound, the lira, the peseta and the French franc just like the US dollar, the Canadian dollar or the yen."

In recent days the Belgian and French currencies, underpinned by firm domestic monetary policies, have returned to the narrow bands of the ERM's "hard core" that preceded the July-August shocks. But European governments and central banks reject any possibility, for now, of formally re-introducing narrow bands, as this would encourage fresh disruptive speculation.

Although the downturn is bottoming out in the continent's two largest economies, Germany and France, gross domestic product across industrialised countries in Europe is likely to grow only 1.5 per cent next year after contracting 0.2 per cent this year, according to Organisation for Economic Co-operation and Development forecasts.

Exporters from countries with devalued currencies, such as Italy, Britain, Spain and Sweden, have gained competitiveness – helped by the success of these states in holding down domestic wage costs. Yet for the whole European economy, these benefits have been outweighed by the negative economic impact of currency appreciation in Germany and in ERM members still linked to the D-Mark.

Since Germany is the destination for 20 per cent of the total exports of its EU partners, this year's estimated 1.5 per cent contraction of the German economy has hurt Europe.

The effect of low growth on the continent on British export prospects will be spelt out on Friday in the Confederation of British Industry's latest monthly survey. Mr Andrew Sentance, the CBI's economics director, says UK exporters have often failed to realise hopes that devaluation would produce sales gains in the rest of Europe. "The increases in export volume have come mainly from non-EU areas like North America, Japan and the Far East. The problem with Europe is that it is not growing."

Britain's Imperial Chemical Industries, which registered a 15 per cent increase in exports in the third quarter this year, is one of the few big European manufacturers to see the currency changes as an unalloyed blessing. "Increased export competitiveness after the depreciation of the exchange rate has been our saving grace," says Mr Richard Freeman, ICI's chief economist.

German companies, by contrast, have registered sharp declines in competitiveness. While production costs in Germany have been rising faster than in most of its trading partners, the D-Mark has registered a real revaluation of about 9 per cent on a trade-weighted basis over the past two years.

German exports have become cheaper in the US and other countries linked to the dollar, thanks to a general fall of all European currencies against the dollar since summer 1992. But Germany conducts only a small share of its trade with the dollar area.

A senior Bundesbank economist notes that this is the first postwar German recession in which increased exports will not be able to lead the recovery.

The revaluation squeeze is the main reason for large job cuts and vigorous restructuring throughout the German motor, chemicals and engineering sectors, says Mr Hans-Peter Fröhlich, an economist at the Cologne-based IdW economic institute. "German industry can cope with the crisis. The big problem is how society will cope with the effects," he says.

Amid the general gloom, there are some bright spots. Among the companies to have profited from exchange rate turbulence, Italian exporters head the list. The lira's decline has allowed them to draw maximum benefit from a fall in wage inflation following last year's abolition of the scala mobile system, under which wage rises were linked directly to inflation.

Mr Stefano Micossi, research director at Confindustria, the Italian employers' federation, says: "Devaluation has been extremely beneficial to Italian industry. Companies with a big export component in their total turnover are already seeing an upturn. The crucial part was devaluing while having dismantled wage indexation."

Italian sales have risen especially sharply to non-EU countries, led by Asia and Latin America, with exports to China expected to double to more than L4,000bn (£1.56bn) this year, representing almost 3 per cent of Italy's total sales abroad.

But industrialists in countries still linked to the D-Mark have more sober stories to tell.

KNP BT, a big Dutch paper and packaging group, is feeling the negative effects of the exchange rate changes in its graphics and information systems businesses in Spain and Italy. It must compete with big Scandinavian-based paper companies, which have profited on export markets because of declines in the Swedish and Finnish currencies.

France has maintained a tight monetary policy since the ERM crisis to keep as close as possible to the D-Mark. The franc's success in regaining its narrow-band ERM trading range ranks in Paris as a minor victory for the government.

Some French executives say, however, that the price of maintaining a firm franc – the slow pace of interest rate cuts since the August ERM squalls – has been too high.

The chief executive of a leading French industrial conglomerate complains that France's interest rates are still too high to allow satisfactory growth. "Today we are experiencing the most serious crisis for 50 years," he says.

In Denmark – where the National Bank, like the Bank of France, has tried to maintain a close link to the D-Mark – the strong krone has put pressure on corporate profits. Carlsberg, the breweries group, reported a 29 per cent increase in the volume of beer sold worldwide (most brewed abroad) in the year to September 30. In terms of Danish krone, however, net sales (excluding excise taxes) increased only 10 per cent, and operating profits were almost unchanged.

In countries with devalued currencies, too, the corporate picture is far from rosy. In Spain, the peseta's devaluation has benefited exporters as well as some domestically orientated companies, such as cement groups, which have seen foreign competitors forced to increase their prices. But the peseta's decline has had a negative effect on companies with large foreign currency debts. Casualties include the electrical utilities as well as Seat, the Spanish subsidiary of the Volkswagen car group, which has been hit by heavy losses on its borrowings – almost all in D-Marks.

In view of Sweden's large devaluation since it severed its link with the European Currency Unit in November last year, Swedish economists reckon the country's industrial competitiveness has risen by 20 per cent over the last year. But Swedish exporters have yet to reap the expected rewards. "The main reason we haven't benefited as much as we could have done is the recession in Europe, particularly in Germany," says Mr Magnus Lemmel, head of the Federation of Swedish Industries.

Another restraint is that many of Sweden's big multinationals made heavy investments in the rest of Europe during the 1980s. In many cases, key elements of production are now based in hard currency countries such as Germany and France.

For European companies' exports, the integration of the single market can bring drawbacks as well as benefits. Most members of the EU and the European Free Trade Association now conduct between 65 and 80 per cent of their trade with each other – a degree of interdependence which can prove counter productive when Europe's economies suffer simultaneous downturn.

According to Ms Frauke Neumann, a trade specialist at Germany's Munich-based Ifo economic research institute, many German companies are trying to correct what they see as their "over-dependence" on the European market.

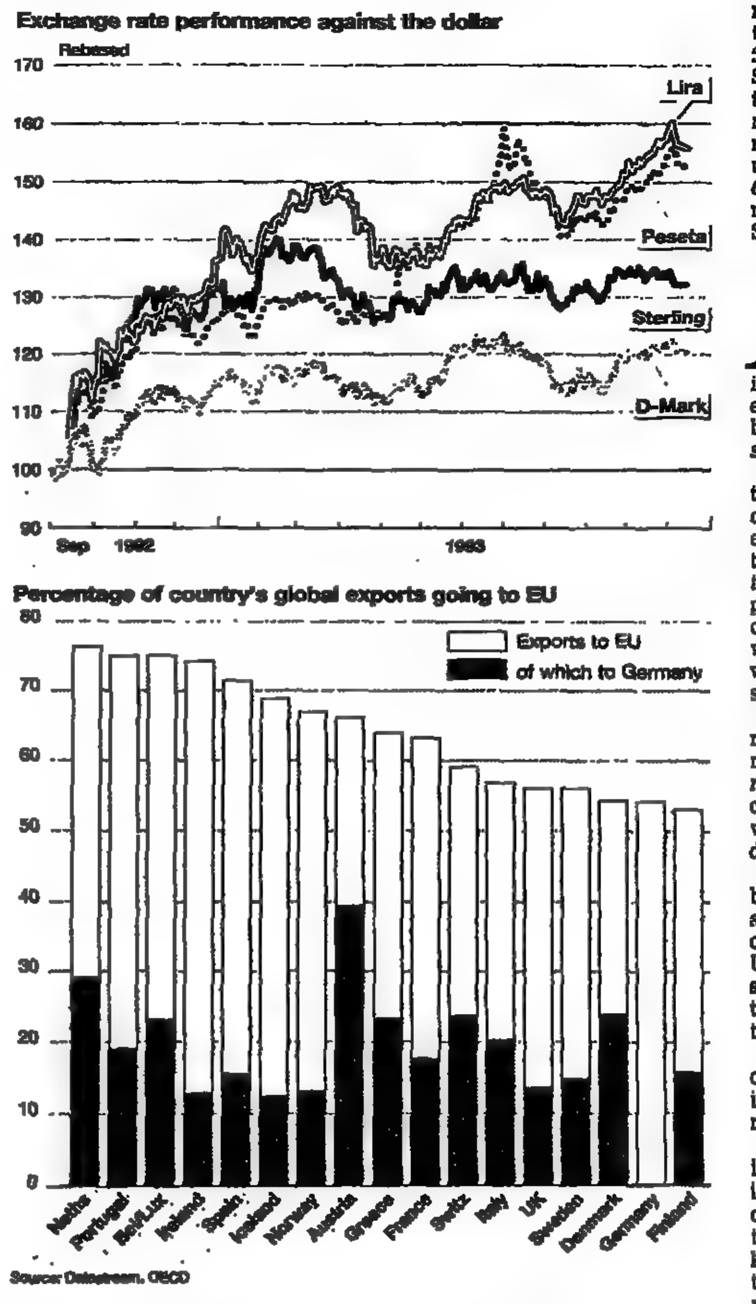
Ifo says recent indications of brighter German export prospects are based especially on expectations of revived demand in East Asia, the US and eastern Europe. The dollar's strength has been an additional factor prompting German companies to switch their export efforts.

But sales to such regions can give only sporadic hope to exporters trying to escape recession and currency uncertainties in Europe.

Most European business leaders instinctively favour currency stability as a means of improving their corporate fortunes. But a precondition for more settled exchange markets is that governments maintain tough measures to increase economic convergence. In view of the unpopularity of these measures, there are doubts, in a number of countries, on how long they will be maintained. As Europe heads for another year of low growth, there is little sign that currency stability is about to make a comeback.

Reports by David Marsh in London, Christopher Brown-Humes in Stockholm, Tom Burns in Madrid, Hilary Barnes in Copenhagen, Ronald van de Krol in Amsterdam, John Ridding in Paris, Haig Simonian in Milan, David Waller in Frankfurt

Euro-exporters: some do it better



Source: Datastream, OECD

Fluctuations in the balance

The past 15 months have seen one of the most spectacular series of exchange rate upsets in Europe since the breakdown of the gold standard in the 1930s.

Since early September 1992, the lira, Swedish krona and peseta have declined by between 23 and 24 per cent against the D-Mark. Sterling's fall has been a less dramatic 7 per cent, although at one stage 10 months ago it was down 16 per cent.

Moreover, because Europe's hardest currencies, the D-Mark and guilder, themselves have declined by 14 per cent against the dollar over this period, the lira, krona and peseta have fallen by roughly 35 per cent against the US currency during the last 15 months.

Analysing the effects of these changes on countries' trade balances is a complicated matter. This is partly because exchange rate changes affect exports and imports in different ways and with long and variable time lags. Measurement has been made especially complicated by the erratic quality of trade figures this year for countries of the European Union, because of statistical changes after the introduction of the single market at the beginning of 1993.

Unpublished figures from the Organisation for Economic Co-operation and Development, however, give an indication of the consequences. These figures, based partly on estimates because of delays in collating EU statistics, show the volume of exports of manufactured goods from Germany and France fell by an annual rate of 10.8 and 11.3 per cent respectively in the first six months of 1993. This followed increases of 1.9 and 5 per cent respectively in 1992. Among other ERM members, Belgian manufacturing exports fell 6 per cent in the first half, while for Holland the volume fell by 3 per cent.

The largest export gains in the first half of 1993, according to the OECD, were registered by Finland (up 25.1 per cent), Spain (up 12 per cent) and Italy (up 9 per cent). British manufacturing exports fell 2 per cent by volume in the first half, apparently reflecting sterling's relative firmness after its earlier sharp falls, following a 2.6 per cent increase in 1992.

Individual countries' trade figures, although affected by greater than usual statistical uncertainties, also provide a measure of the impact.

According to official Italian figures, Italy's total exports rose 19 per cent in value in the first half of this year compared with the same period in 1992. The rise in volume terms was 7 per cent.

The UK's overall visible trade deficit declined to £7.6bn in the first eight months of the year from £13.4bn in the whole of 1992, with the improvement particularly in trade with non-EU countries.

Spain, too, has profited from three devaluations of the peseta within the ERM since autumn 1992. Improved export competitiveness, combined with the effect of recession in reducing imports, has led to a sharp reduction in the trade deficit this year, with Spanish exports growing by an estimated 7 per cent in real terms this year, according to official Spanish statistics.

OBSERVER

Matinee performance

■ The picturesque Jack Valenti must be a disappointed man. President of the Motion Pictures Association of America, Valenti can but weep at the Gatt negotiation's apparent failure to achieve a US-European Union deal on audio-visual trade.

Lyndon Johnson's former presidential speech writer, Valenti's efforts finally seemed to have been defeated by the stubborn French yesterday. But at least he was briefly able to bask in the glare of public attention once more, last experienced with such intensity when he and fellow Texans scuttled from the White House along with Vietnam-plagued Johnson.

In his current battle Valenti showed he had lost none of his talent for high drama. In one of his keynote addresses on the subject – "The Unique, Matchless Non-Clonable US Trade Prize: The American Movie" – Valenti likened the appearance of EU directives on the audio-visual landscape to "vagrant weeds in a lovely garden. ..".

Two steps up

■ Concerning Gerald Corbett, the man who moves from the finance director slot at Redland to the same position chez GrandMet, the market is agreed on one point - that he is extraordinarily ambitious.

But, while news of his departure took a bit off the Redland share price, GrandMet's share price wobbled more yesterday. Both mark downs can't be right and the super-confident Corbett could not help sounding mildly unsettled.

The difficulty seems to be establishing when an accomplished finance director becomes a numbers man who is simply too clever by half. While the food and drinks conglomerate has a high level of disclosure, the complex figures still need a lot of explaining. But then, for an upwardly mobile fluent communicator, surely that is half the fun?

Ex-vulcan?

■ Has John Redwood, the Welsh secretary, gone soft? The cabinet's most junior member and its resident right-wing rottweiler, had a perfect opportunity to stake his claim as Baroness Thatcher's heir when he addressed the parliamentary press gallery's monthly lunch yesterday. Instead, he delivered a boring eulogy on the citizens' charters and the prime minister's back-to-basics campaign.

To make matters worse he retold rather a good story about his arrival in Downing Street as an adviser to Mrs Thatcher 10 years ago. Annoyed by being constantly described in the press as a hardliner, he complained to

Bernard Ingham, the prime minister's redoubtable press secretary. "In this business, you're either a hardliner or a wet. Which do you want to be?" Ingham told him. Up to now, no-one has been in much doubt.

Red-faced herring

■ The UK water industry is, not surprisingly, prone to fishermen's tales. Some of them are even true, such as this one. Martyn Webster, managing director of Southern Water, suggests that European Union bureaucrats have failed to consider the full implications of increasing water and sewage treatment before it is chucked out to sea via three-mile pipes.

Webster says fish eat what he coyly refers to as "solids", and that the EU directive – well-intended though it may be – will unwittingly deprive fish of popular feeding grounds, and fishermen of income.

Not sure the Eurocrats will bite on that one, Martyn.

Empty excuse

■ Sir Paul Nicholson, the Old Harrovian chairman of Vaux – "we're in the booze and snooze business" – wins Observer's prize for understatement of the day. Explaining away a £116m write-down in the value of his hotels, he says that recent revelations at the troubled Queens Moat Houses, which used to be one of Vaux's biggest shareholders, "have shown valuation as an inexact science"

Phony test

■ A round of applause, please, for Britain's high street banks. Their branch staff manage to answer the telephone within three rings, 63 per cent of the time. Admittedly, it's not as good as most of their commercial customers, but it's better than their deadly rivals – the building societies.

So reports a company called Teleconomy, which rang 615 bank and building society branches. However, when it extended its search for bank staff who could say more than "what?" and "don't know", the banks came out less well, particularly in the south east, where only the Royal Bank of Scotland's branch in Station Road, Reading was rated "excellent".

But building societies staff need not be too down-hearted at the results. They might be slower to answer, but they were friendlier when they did so. Nationwide came top, while Lloyds Bank, which trains staff to answer calls within four rings, scraped in at fifth.

Gross or net?

■ It's now commonplace to compare the $2.6bn profit – a handsome portion of it dished out to some high rollers – at Goldman Sachs to last year's GDP of Tanzania. But few have observed that, while Goldman Sachs has experienced 125 years of capitalism, Tanzania has for the past 40 years witnessed a particularly shoddy version of socialism.

Train of thought?

■ Can anyone divine the process of reasoning by which the post office decided to deliver a Christmas card addressed to "17 Battery Place, Rothesay, Isle of Bute", to 17 Berkeley Close, Potters Bar?

FINANCIAL TIMES
Wednesday December 15 1993

UK and Ireland close to peace accord over Ulster

By Philip Stephens, Political Editor, in London

An Anglo-Irish declaration aimed at ending 25 years of IRA violence and paving the way for a permanent political settlement in Northern Ireland will be finalised *in London before the end of this* week.

After a day of non-stop telephone diplomacy between the Mr John Major and Mr Albert Reynolds, Whitehall officials said the statement would be released after a meeting of the two prime ministers later today.

Mr Major expects to spell out the accord to MPs before parliament breaks for Christmas recess on Friday. Mr Dick Spring, the Irish foreign minister, said last night Dublin and London were now "very close to agreement".

But even as the British and Irish prime ministers were clearing the remaining obstacles, some politicians in the province were questioning if it would bring lasting peace.

The declaration, designed to reconcile the competing interests of the province's unionist majority with the Irish nationalist aspirations will be hailed by both leaders as the best chance since 1968 for an end to terrorism.

Ninety-five per cent of Ulster's business community would be content to see Sinn Fein involved in the search for peace if the IRA were to abandon violence Page 9
■ **Editorial Comment** Page 13

Its release will follow weeks of intense and often acrimonious negotiations between Mr Major and Mr Reynolds, culminating yesterday in a frantic series of telephone conversations between the two men and their officials.

Downing Street officials said the two prime ministers had resolved the main differences over the declaration, but further negotiations would be needed during their meeting to clear up some less important issues.

The statement will include a firm guarantee to the protestant majority in the province its status as part of the UK could only be changed with their consent.

It will also signal Mr Reynold's willingness to drop the Republic's constitutional claim to the North in the event of a *permanent political settlement*.

But in return Mr Major is thought to have agreed to language in the declaration which goes further than hitherto in *acknowledging* the aspirations of those seeking a united Ireland.

Mr Reynolds, who has said he would not accept any declaration which did not offer a reasonable prospect of an end to the IRA campaign, has been pressing the unionist veto to be coupled with a broader commitment to Irish self-determination. He also wants an all-Ireland convention to provide an early opportunity for Sinn Féin to join talks.

The precise phrases in that section of the communiqué – will be critical in determining the impact of the declaration.

If they move too far in the direction of Sinn Féin, they will threaten a unionist backlash against Mr Major's government *and its fragile majority. This* could trigger an escalation in the terrorist campaign being waged by protestant paramilitaries.

UK telecom operators face cable network challenge

By Andrew Adonis in London

The backbone of a national telecommunications network to rival those of the UK's principal telecom operators, British Tele*communications and Mercury*, will be in place by mid-1995, following a move by cable television and telephone companies to create six regional networks.

The networks will cover areas from south England to Scotland, bringing together the telephone and television operations being set up in 62 urban areas by 20 *cable companies*.

Fibre-optic and microwave links will permit the companies, mostly US owned, to engage in joint programming and send *regional telecom traffic across* each other's networks, without having to use BT or Mercury.

Payments to BT and Mercury are the largest telecommunica*tions outgoing of the cable com*panies. They want to cut their inter-connection requirements to a minimum. Cable telephone subscriber numbers have risen from *109,000 to 300,000 this year*, and are increasing by about 20,000 a month.

A regional network covering the London area will be the first *launched, early next year*, connecting the networks of six operators.

Mr John Sheridan, chief executive of Encom, a subsidiary of *Bell Canada Enterprises* which is building networks in east London, said "very considerable" savings would result.

The Midlands region, in central *England, will be the second to* become operational, linking Birmingham Cable's network, the largest in the country, with that of Southwestern Bell. A northern *regional network, linking the net*works of Yorkshire Cable, Southwestern Bell in Liverpool and Nynex in Manchester, is likely to be operational within a year, *with the other three regions fol*lowing afterwards.

Mr Richard Woollam, director of the Cable Television Association, said: "I think all six will *connect up, though it may not be* the cable companies that do it." An option, he said, was to use microwave links or leased lines from existing operators and new *entrants – including Energis, the* National Grid telecoms subsidiary – to cover long distances between regions.

No regulatory hurdles prevent *the cable companies from linking* their networks. Oftel, the telecommunications regulator, said the granting of the necessary licences would be a "formality".

*The cable companies are reluc*tant to talk openly about the prospect of transregional links for fear of souring relations with Mercury, which carries most of *their long-distance traffic*.

However, they have already taken steps to reduce their interconnection payments by installing their own electronic switches *to handle the carriage of traffic* between networks, resulting in far lower payments to long-distance carriers.

France's welfare deficit worsens

By David Buchan in Paris

The financial gap in France's welfare system will reach FFr57bn ($9.7bn) this year and, despite tax increases and cuts in medical and pension payments, will still be about FFr43bn next year, a government commission reported yesterday.

France's welfare funds are still largely funded off-budget by employer and employee contributions, although the state is now having to provide about a fifth of this year's estimated FFr1,027bn welfare spending.

Thus the government has been able to keep this year's budget deficit at its original target of FFr317bn while the welfare funds *sink deeper into the red*.

Recession, rising unemployment and stagnation in salary levels has meant that this year's increase in total receipts of the *pensions, family allowances*, health and accident insurance funds rose only 2.3 per cent, barely matching inflation, while payments increased by 6.4 per *cent*.

Mr Jean Marmot, head of the social security accounts commission, said: "The social security system is suffering the biggest *financial crisis of its history* at the very time when it is most needed."

The government's long-term strategy is to shift more of the *welfare tax burden off company* payrolls and on to the national budget funded by general taxation.

To that end, it has doubled the "*generalised social contribution*", a form of income tax, and is being urged by some of its backbench deputies to raise value added tax as a means of bailing *out the welfare funds*. But, clearly nervous that further tax increases might kill off the incipient economic recovery, Mr Nicolas Sarkozy, the budget minis*ter, said this week that* introduction of a "social VAT" was premature.

The unemployment insurance fund is counted separately from *other welfare funds, but it, too, is* in deficit. To combat rising joblessness, the Patronat employers' federation, which, with the trade unions, finances and manages *the nation's unemployment bene*fit fund, asked its member companies to hire up to 200,000 young people by the end of 1994.

US to reassess policies towards Russia

Continued from Page 1

The unspoken hope was that Mr Yeltsin would not take up the option of facing Mr Zhirinovsky *in a presidential election next* year but seek to soldier on until 1996, by which time economic reforms might be producing dividends.

The *State Department spokes*man implied there was little practical alternative to the US *continuing to deal principally* with the executive branch in Moscow.

US contact with other power centres, specifically the national*ists and the Communists, has* been minimal, though Mr Gore is due to meet several anti-Yeltsin politicians at a Moscow reception this week.

Foreign policy concerns were given an airing in Washington yesterday when Mr Warren *Christopher, secretary of state*, met Mr Andrej Olechowski, the Polish foreign minister, who has been outspoken in demanding a closer relationship between east*ern European countries* and Nato, up to the point of eventual membership.

Demonstrating US sympathy, General John Shalishkavili, *chairman of the joint chiefs of* staff, said that Nato was moving towards a consensus that it was "not whether, but when and how" membership and security guarantees might be offered to eastern Europe.

He acknowledged that the *gradualist* approach, *embodied* in the US Partnership for Peace framework, might not satisfy the immediate demands by the former Warsaw Pact nations, but *that many Nato members* were not ready to go any further at present.

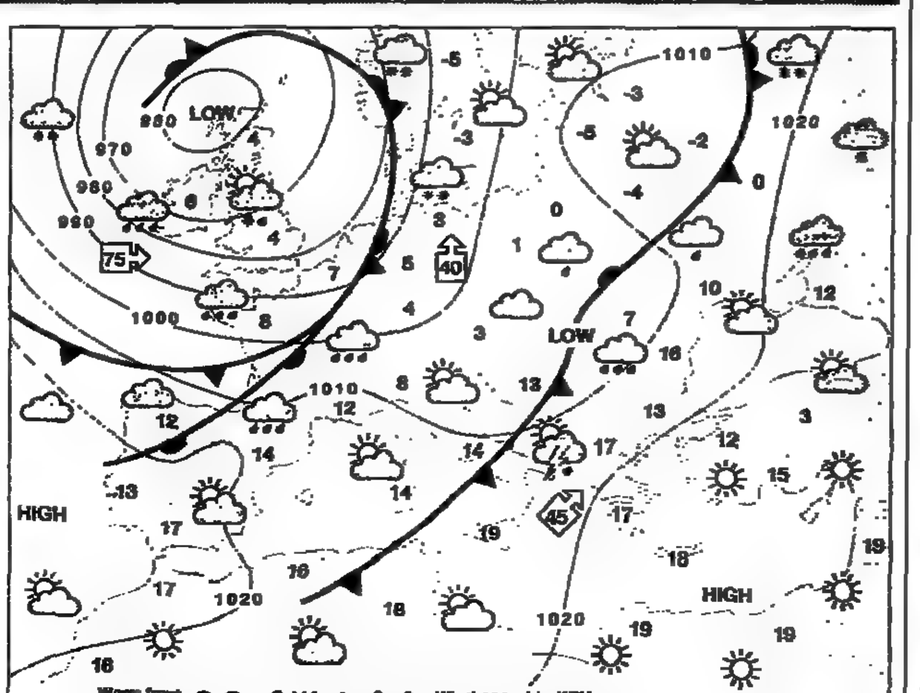
FT WEATHER GUIDE

Europe today

A depression over Scotland will result in increasing winds and rain - and snow - over *the UK. The depression will also* bring snow to southern Sweden and Norway. Winds will increase to gale force off the coast of south Norway, while the Low Countries and France will experience intermittent rain. Sleet is likely in *Germany and Denmark. Later*, Switzerland can expect snowfall at altitudes above 1200 metres. Austria will stay mainly dry with sunny spells. Skies will be overcast over northern Spain, but southern regions will be mainly sunny. Another depression will bring thundery showers to southern Italy and rain to the Balkans but it will be sunny over the Greek islands and Turkey.

Five-day forecast

It will become rainy and windy over north-west Europe with the the winds becoming especially strong at the weekend. Temperatures will rise to seasonable levels. There will be showers over north-west Spain later this week but the Mediterranean region overall will remain dry with long sunny spells. Central and eastern Europe will experience rain with periods of snow at higher levels. Scandinavia can expect outbreaks of snow with occasionally strong winds.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

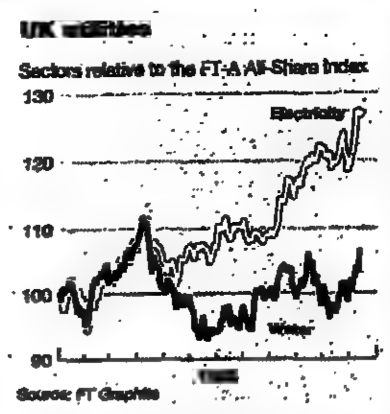
TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	26
Accra	sun	32
Algiers	fair	16
Amsterdam	rain	5
Athens	fair	18
B. Aires	shower	26
B.ham	sleet	4
Bangkok	fair	33
Barcelona	cloudy	14
Beijing	fair	-1
Belfast	rain	6
Belgrade	shower	13
Berlin	cloudy	3
Bermuda	fair	22
Bogota	cloudy	20
Bombay	fair	33
Brussels	rain	7
Budapest	rain	5
C.hagen	sleet	1
Cairo	sun	19
Cape Town	cloudy	28
Caracas	cloudy	28
Cardiff	rain	8
Chicago	cloudy	5
Cologne	rain	6
D' Salaam	fair	30
Dakar	sun	27
Dallas	sun	11
Delhi	sun	25
Dubai	sun	29
Dublin	rain	6
Dubrovnik	shower	16
Edinburgh	sleet	4
Faro	fair	16
Frankfurt	rain	8
Geneva	sleet	5
Gibraltar	fair	17
Glasgow	sleet	4
Hamburg	sleet	3
Helsinki	fair	-1
Hong Kong	fair	20
Honolulu	fair	26
Istanbul	fair	12
Jersey	shower	8
Karachi	sun	21
Kuwait	fair	21
L. Angeles	sun	18
Las Palmas	sun	19
Lima	cloudy	23
Lisbon	fair	13
London	shower	6
Lux.bourg	sleet	3
Lyon	rain	8
Madeira	fair	17
Madrid	fair	8
Majorca	fair	15
Malta	fair	19
Manchester	rain	5
Manila	cloudy	31
Melbourne	shower	20
Mexico City	fair	20
Miami	sun	23
Milan	fair	7
Montreal	cloudy	1
Moscow	snow	-1
Munich	cloudy	4
Nairobi	shower	24
Naples	shower	16
Nassau	fair	24
New York	cloudy	7
Nice	cloudy	13
Nicosia	sun	16
Oslo	snow	-2
Paris	rain	9
Perth	sun	28
Prague	cloudy	2
Rangoon	fair	34
Reykjavik	snow	-1
Rio	shower	28
Riyadh	fair	22
Rome	shower	16
S. Frsco	fair	12
Seoul	fair	-2
Singapore	cloudy	32
Stockholm	fair	-1
Strasbourg	rain	8
Sydney	shower	25
Tangier	sun	16
Tel Aviv	sun	18
Tokyo	fair	10
Toronto	cloudy	2
Tunis	fair	19
Vancouver	cloudy	7
Venice	fair	7
Vienna	cloudy	4
Warsaw	cloudy	-1
Washington	rain	8
Wellington	fair	18
Winnipeg	cloudy	-5
Zurich	sleet	4

THE LEX COLUMN

Trafalgar on dry Land

FT-SE Index: 3248.4 (-6.2)



Longstanding shareholders in Trafalgar House have reason to be grateful to Hongkong Land. Had it not ridden to the rescue with the backing of its old friends at HSBC, the company would by now almost certainly be in the throes of a painful debt rescheduling. So it may be impolite to ask too many questions. Two are worth considering anyway. Did Hongkong Land know what an expensive business it was buying into? And does it matter that Hongkong Land has taken effective control while owning just 25 per cent of the shares?

Only Land knows the answer to the first. If it still believes in the long-term rewards, one must suspect after yesterday's provisions and write-downs that it was unprepared for the short-term pain. Otherwise it could have waited until the shares were cheaper. The second question may matter little at present. That will change as the company recovers. Land's interests and that of other shareholders will not then necessarily converge. Land's minority stake would then look increasingly incongruous.

Take the dividend, for instance. *Land does not need the cash. It should* be more naturally interested in boosting Trafalgar's earnings by seeing the company pays a minimum in ACT. The new convertible issue looks *attractive in terms of yield* – watch out for switching when the shares go ex-rights – but the ultimate appeal depends on the conversion rights. That in turn requires a rapid build-up *of the dividend*. If there is a grand scheme behind its involvement, Land has yet to reveal it. But it is already too late for anyone to complain.

Gatt

Excitement at the prospect of a successful Uruguay Round has not spilled over into European equity markets. *Part of the reason for yesterday's falls* is that there is an inclination to take profits in many markets anyway. Part is that the consequences of failure in the Round were always seen as more *serious than the benefits of success*. Trade liberalisation does open the way to non-inflationary growth, but only over an extended period. Some industries inevitably face painful adjust*ment first*.

Failure would have brought the immediate risk of disruptive trade conflicts which might have justified a sharper sell-off in equity markets. As *it is, the deal does not mean that* peace has broken out in every area. The US is retaining the notorious section 301 of its Trade Act which permits unilateral action against trading partners, and there *is clamour for some*thing similar in Europe too. There is still the risk of conflict in areas like steel and audio-visual trade – French television stocks were conspicuously *weak yesterday*.

Moreover, the good news from Gatt was overshadowed by the Russian elections. Mr Vladimir Zhirinovsky seems to be toning down his rhetoric. But he remains an unpredictable politican who has established a power base in a country that seems unable to cope politically with economic adjustment. Western financial markets may have to discount the impact on confidence, not to mention a possible curtailment of the peace dividend. Against that background, a tortuously agreed Gatt deal hardly constitutes a buy signal.

Utilities

The scale of interim dividends from *regional electricity companies* should not hoodwink investors into expecting similar generosity at the full year. Yesterday's 20 per cent increase from Southern Electric was aimed – like *others in the sector – at rebalancing* the dividend away from the year-end. Some investors will doubtless buy stock for the additional interim payment, in which case the shares might *suffer more than usual after* the exdividend date.

Still, dividend growth of perhaps 15 per cent this year is reason enough to hold electricity shares and explains why the Recs *have out-performed* water companies. Both sectors were privatised on *yields 50 per cent above* the market average. While water remains weighed down by regulatory worries, electricity companies have broken free. Yields, a shade above the market average, show how far the risks are seen to have diminished.

Since both sectors face regulatory reviews next year, that out-performance might seem strange. But with dividends covered three times by earnings and positive cash flow under all but the most draconian settlements, Recs look better placed to cope with tighter price controls. Water companies will be *borrowing heavily to* finance capital expenditure through the second half of the decade. Dividends will thus remain a potential point of conflict with the regulator. *Since the Recs have both a stronger* hand and greater freedom to distribute, the yield differential looks like more than a passing phase.

European airlines

The collapse of the Alcazar alliance has led to a big strategic rethink in the European airline industry. But the need to rationalise operations means that carriers are still seeking alternative groupings. Austrian Airlines said yesterday it was in talks with Swissair and Lufthansa over strategic co-operation. But it may stumble for the same reason Alcazar failed. Lufthansa is firmly wedded to United Airlines as its transatlantic partner. Swissair remains linked to Delta.

Swissair's 10 per cent shareholding in Austrian and close operational links suggests that the two carriers will move as one. And Swissair seemingly favours the re-creation of Alcazar with Austrian and SAS but minus KLM. By exploiting Swissair's existing links with Delta and Singapore Airlines, a combined carrier could emerge as a visible global operator.

Such bold action will be needed by many European airlines if they are to secure their future. British Airways and KLM are emerging in a league of their own as efficient low-cost carriers *boasting attractive hubs and interna*tional networks. KLM is committed to further rationalisation and may feel it can go it alone, especially if it could raise fresh equity. Other European air*lines will jostle for position in the sec*ond division. Lufthansa, Swissair, Austrian, and SAS must cut their cost bases to regain competitiveness. Air France will have to implement its latest *rationalisation* plan just to remain in the game.

FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday December 15 1993

IN BRIEF

Marriott pulls out of battle for Ciga

Host Marriott of the US has withdrawn its bid to acquire the Italian-based Ciga chain of luxury hotels. The move strengthens the position of Forte, which has also bid for the chain. Forte reached agreement last October to take over the management of Ciga, which has net debts of more than L1,000bn. Under the agreement, Forte said it would pay £33m ($49m) cash and insert some of its own luxury hotels with a value of about £125m into an Italian operating company in which it would have a majority interest.

ITT Sheraton, which had also expressed some interest in Ciga, said last night that it had not submitted a bid for the chain.

ING to take stake in Polish bank
ING Bank of the Netherlands is to take a 25.9 per cent share in Poland's Bank Slaski, one of the country's nine state-owned banks that are being privatised. Page 16

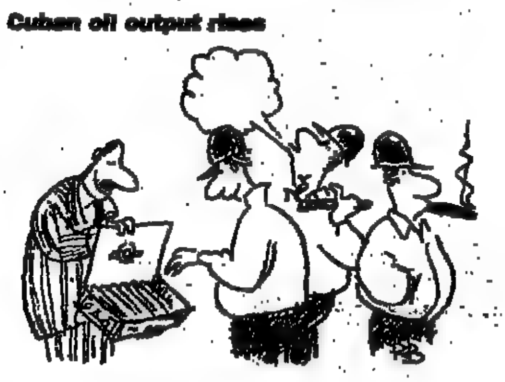
LWT defence for Yorkshire takeover
Sir Christopher Bland, chairman of LWT Holdings, revealed some of the details of his company's defence for the takeover of Yorkshire-Tyne Tees. Yorkshire also admitted formally that it had received an approach from LWT. Page 16

Bell Atlantic to spin off financial unit
TriCon Capital, the financial services subsidiary of US telephone group Bell Atlantic, is to be floated on the stock market as part of a plan by Bell to withdraw from financial services and concentrate on its core business. Page 17

Shake-up at top of Australian food group
The chief executive of Goodman Fielder, the Australian food group, has been replaced in a shake-up of top management aimed at restoring investor confidence. Page 18

Southern Water attacks regulator
Southern Water attacked the water industry regulator over its approach to pricing. It also reported a 7.5 per cent rise in interim pre-tax profits to £64.5m ($96m). Page 21

Cuban oil output rises



Cuba's domestic oil industry is anticipating output this year to be 1.2m tonnes, 45 per cent more than in 1992. A foreign consortium, led by Total of France, is to drill exploratory wells off the island's coast next year, but Cuba hopes to attract more foreign companies. Page 24

DeBartolo calls off flotation
The DeBartolo Corporation has has called off its plan to raise $690m through a stock market flotation. Page 19

Dublin enjoys strong rally
After a gloomy 1992, the Dublin market has mounted a sustained rally throughout the year, rising almost 60 per cent. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Berliner Bank	474	+	12
Falls			
Berliner Kraft	234	-	13.8
Commerzbank	382.5	-	9.5
Deutsche Bank	862.7	-	13.3
Porsche	745	-	30
Schering	1073	-	47.5

NEW YORK ($)

Rises			
Brown-Forman A	85⅝	+	1½
Fedl Express	71⅞	+	1⅞
Medco Research	15⅞	+	2⅞
Viacom B	43⅞	+	1
Falls			
Anheuser-Busch	48⅝	-	1⅝
Chrysler	55⅛	-	1⅝

New York prices at 12.30.

PARIS (FFr)

Rises			
Casino	188	+	6.2
Falls			
Elf Aquitaine	401	-	18.6
Promodes	1104	-	51
Roussel-Uclaf	666	-	29
Schneider	406	-	12.2
Suez (Cie)	335.1	-	10.6

TOKYO (Yen)

Rises			
Fujita Kanko	2000	+	110
Mercian	594	+	23
Skylark	2280	+	240
Falls			
Hitachi	815	-	25
Kureha Chem	407	-	21
Mitsui	692	-	24

LONDON (Pence)

Rises			
Birse	27½	+	4
Chiltern Radio	116	+	14
Courtaulds	474	+	12
David Lloyd	238	+	11
Dickie (J)	90	+	9
Flextech	312	+	12
First Tech	292	+	14
Hepworth	425	+	17
Kelis Minerals	19½	+	4
Metro Radio	250	+	15
Racal Elect	179	+	7
Southern Radio	65	+	7
Falls			
AAF	27	-	7
Atkins	165	-	10½
Babycheck	333	-	72
Brit Aerospace	403	-	14
Intrum Justitia	100	-	26
Kingfisher	719	-	12
LWT	576	-	12
Midland & Scot	2½	-	2
Morland	513	-	25
Trafalgar Hse	77½	-	10
Whessoe	228	-	27

Paramount board opens its auction

By Richard Waters in New York

The board of Paramount Communications formally opened an auction of the film and publishing company to the highest bidder, signalling an end to efforts over the past three months to conclude a friendly takeover by Viacom.

However, the Paramount directors left the job of weighing up rival bids in the hands of the full board, rather than setting up a committee of non-executives to review offers.

The Delaware supreme court ruled last Friday that Paramount's board, led by Mr Martin Davis, had been wrong to reject a rival offer from QVC Network without considering it.

This forced Paramount to open the bidding, and led to suggestions that the job of assessing bids should be taken out of Mr Davis' hands and given to a committee of non-executive directors.

"The board saw no reason to set up a [separate] committee," Paramount said. Nor had the court ruling led to any changes in Paramount's financial advisers, led by Lazards, it added.

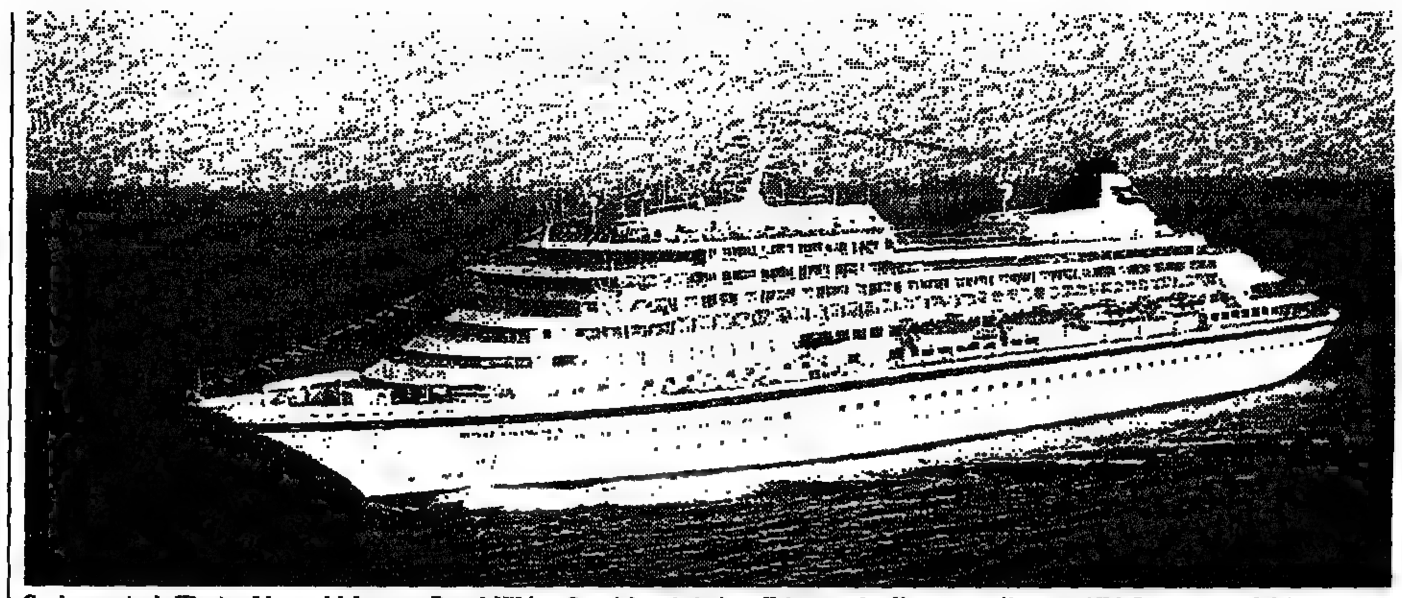
Paramount said it would conduct a single round of bidding, with all offers to be submitted by December 20. It said it would favour bids comprising cash or fixed income securities.

If shares are offered, the board said it would prefer bidders to provide a floor under the price so the securities did not fall in value in future, and guarantees that former Paramount shareholders would not be "squeezed out" of the new combined company after the deal was completed.

The Viacom and QVC offers comprise a mixture of cash and shares at present. Neither company would become heavily indebted under the terms of their current offers, suggesting there may be scope for them to increase the cash component or raise the overall value.

● Paramount's after-tax profits in the three months to the end of October fell to $96.8m from $102.4m in the same period of 1992 because of a rise in its financing costs.

Operating income from publishing rose to $132.1m from $124.5m, while income from entertainment fell to $45.3m from $53.9m after a weak quarter for film releases. Net interest and investment expenses climbed from $400,000 to $8.1m as a result of acquisitions and increases in working capital, together with lower earnings on short-term investments.



Cruise control: Kloster Line, which owns Royal Viking Sun (above), is to sell two cruise liner operations to AEA Investors, a US investment company. Kloster is the Miami-based subsidiary of Vard, the loss-hit Norwegian group. Story, Page 16

BNP warns of heavy provisions

By Alice Rawsthorn in Paris

Mr Michel Pébéreau, chairman of Banque Nationale de Paris, the recently privatised French banking group, yesterday warned that the company might need to make heavy provisions in the first half of next year.

BNP, like other French banks, has already made steep write-downs for 1993 because of the sluggish domestic economy. Mr Pébéreau told shareholders in Paris that BNP was still under pressure. He forecast another round of high provisions for 1994, mainly because of the problems of its small corporate clients.

"The first half of 1994 will be another period of heavy provisions for small and medium-sized firms," he warned. Mr Pébéreau said it was too soon to estimate the level of provisions for the second half of next year. It was unlikely to be good news, he said.

He secured shareholders' consent for the BNP board to take action against hostile takeovers. The board will be empowered to issue shares with or without voting rights, enabling it to stave off predators. The chairman said BNP "wouldn't hesitate to use" its poison pill if necessary.

BNP, which was privatised in October in a highly successful issue, had previously predicted a poor performance for 1993, with net profits of around FFr1bn ($172m), against FFr2.17bn in 1992. It has already reported a sharp slide in interim net profits to FFr622m in the first half from FFr1.83bn last year.

Although the main problem facing BNP has been the financial strains on small French companies, it has also been affected by the precarious state of the property market, and by the need to raise provisions on its loans to developing countries.

Mr Stephane Arrouays, analyst at BZW Securities, expected further problems from all three areas next year. He foresaw net profits of FFr2.2bn for the group in 1994, although he might downgrade his forecast slightly following Mr Pébéreau's remarks.

The BNP chairman sought to quash concern about the fate of the bank's loans to Euro Disney, the troubled leisure group which is trying to restructure its finances. BNP is one of the largest banks in the Euro Disney syndicates and, together with Banque Indosuez, heads the steering committee representing the banks in the restructuring talks. Mr Pébéreau said he was "convinced" that Walt Disney, its US parent company, had "the capacity to find a solution".

Trafalgar House loses £347m

By Paul Taylor

Mr Simon Keswick, chairman of Trafalgar House, yesterday described the group's £404m ($600m) rights issue and placing as a "fresh start".

The troubled conglomerate posted a pre-tax loss of £347.2m in the year to September 30, against £11.2m. This was struck after exceptional charges of £397.3m (£97.3m) comprising asset write-downs, property provisions and rationalisation costs. Shares in Trafalgar, which has interests ranging from engineering and construction to London's Ritz Hotel and the Cunard liners, fell 10p to close at 77½p yesterday.

Mr Keswick, who is also chairman of Hongkong Land Holdings, which holds a 25.3 per cent stake in Trafalgar, said the proceeds of the 1-for-3 convertible preference share issue and placing would provide the group with "a strong and transparent balance sheet". The £70m placing was designed to attract new institutional investors.

Hongkong Land, which has invested about £200m in its Trafalgar equity stake, said it planned to take up its full entitlement at a cost of about £90m.

The new board's review of the balance sheet led to write-downs and provisions of £330.7m. Asset write-downs charged to revaluation reserves added another £39.8m. A change in accounting policy on capitalising finance charges added £30.6m to exceptional items and rationalisation programmes £65.3m. The charges totalled £467.7m.

They swamped the group's £77.5m operating profits, down from £126.8m. Turnover was flat at £3.88bn.

Simon Keswick, chairman

The loss per share was 47.6p. A final dividend of 2p makes a total of 3.25p, against 6p. Shareholders were told to expect not more than 1p for the current year.

Lex, Page 14; Rebuilding Trafalgar, Page 30; Hot potato, Page 20

C&W quits the bidding for Hungarian telecoms group

By Nicholas Denton in Budapest

Cable & Wireless, the UK telecommunications group, yesterday pulled out of a consortium bidding for a 30 per cent stake in Matav, the Hungarian state telecoms concern, only hours before the deadline.

C&W withdrew from the MagyarCom consortium leaving Deutsche Telekom, the German state-owned operator, and Ameritech, the US regional Bell company, as the remaining partners.

The UK company said it had "reluctantly concluded" that its strategic objectives would not be addressed by its "continued involvement as an equity partner in the MagyarCom consortium."

It is understood that C&W was unhappy with the shareholding structure, which gave 50 per cent to Telekom and 25 per cent each to C&W and Ameritech. C&W was also uncomfortable with Matav's price after fierce competition from the three competing consortia which put in final bids yesterday.

Offers are believed to range around $900m, valuing Matav at nearly $3bn and making the privatisation the largest yet in eastern Europe.

C&W's international experience had given credibility to MagyarCom's promise to develop Hungary as a regional telecoms hub.

The UK company's withdrawal weakens Telekom in its battle against rival groups led by France Telecom and Italy's Stet International. The outcome is expected on December 17.

Stet, which heads a partnership with Bell Atlantic of the US, put in the highest preliminary "indicative" bid and is believed to have raised its final bid to more than $900m.

France Telecom and its partner US West, the regional Bell company, have mounted a high-profile public relations campaign, presenting their bid as the most technically inspired. US West has a stake in Hungary's largest cable television operator and has promised to transfer its experience of multimedia broadband networks in the UK and US, allowing Hungary to make a technological "leapfrog".

Hungary's budget deficit continues to miss targets agreed with the International Monetary Fund and therefore proceeds are expected to be a priority in evaluation of the bids.

Barry Riley

Avoiding hazardous stocks in a bull market

This far into a bull trend the general market risk may seem to be reassuringly low – there have been no substantial reversals for many months – but we still suffer *specific* risk. That has been painfully obvious in the UK during the past few days as various companies including Fisons, Courtaulds Textiles and Trafalgar House have issued warnings or unveiled skeletons in the cupboard.

There are echoes of the minefield characteristics of the US market a few months ago when blue chips ranging from IBM to Philip Morris appeared to be making a habit of badly upsetting expectations.

In the UK really substantial sectors such as breweries, food retailing and pharmaceuticals are showing declines on the year even though the stock market as a whole is up nearly 20 per cent. Such sectors look rather dull, and the heavy volume of money coming into the market has been chasing more exciting prospects. Those have to be found (or invented) in the cyclical recovery sectors, several of which have produced sector index growth of more than 50 per cent in 1993 so far. The question is, however, whether investors are in touch with what is going on in the real world. In particular, don't they know that there is still a serious recession in continental Europe? Do they know that apparently unstable politicians are receiving millions of votes in Russia?

During 1992 investors were selling property companies and gold mines, which were at the bottom of the sector league tables. In 1993 property and gold mines have been soaring back to prominence and are right at the top. The transformation does not make investors look very clever at anticipating events, but it *does* demonstrate the power of liquidity flows in relatively small stock market sectors.

In a liquidity-driven bull market the weight of money will drive prices higher. As long as interest rates are falling, the stretching of the valuation basis can be justified by reference to historical ratios of the yields available on bonds and equities.

Initial benefits of a new Gatt round may come in lower inflation rather than output growth

But eventually bond yields will cease to decline; it may well be that the US long Treasury bond yield bottomed out two months ago at 5.8 per cent (although the UK government long-dated bond yield, now little more than 6.5 per cent, is still falling). The bull market in equities must then end unless improved corporate fundamentals can take up the running. There has to be a shift to an earnings-driven market.

This can be tricky, because there are obvious contradictions. Bonds respond positively to weak inflation and low economic growth (unless growth is so weak that the stability of government financing is threatened). Companies, in sharp contrast, want an economic environment in which they can raise prices and achieve volume growth. But in the UK, manufacturers' output and prices have been stagnant since the summer. The implication is that although the bond bull market may continue to run, equity valuations are becoming more and more stretched. We can expect more shocks as companies try to bring investors into closer contact with reality.

However, the apparent progress of the General Agreement on Tariffs and Trade talks towards a reasonably successful conclusion, in spite of the cultural and agricultural sensitivities of the French, has naturally helped the securities markets in the past few days. For all the fashionable comparisons of the 1990s with the 1930s, we shall not have to contend this time with self-destructive trade politics.

But in the context of a sluggish world economy it may well be that the initial benefits of a new Gatt round will come in lower inflation rather than growth in output. Manufacturers in the advanced countries will be under still more competitive pressure from the industrialising nations, and the focus will be on sectors of special advantage such as, in the case of the US, the entertainment industry whose interests the Americans have been so carefully fostering.

The investment implications could therefore be that there will be more good news for bonds in many western countries, but also more pressure on the valuation basis of equities and, most obvious of all, more specific risks. Toss away your yield ratio charts and start honing up your stock selection skills.

Canal-Plus cautions on heavy investment costs

By Alice Rawsthorn in Paris

Canal-Plus, the French media group, yesterday warned it may face a sharp reduction in net profits for 1994 because of an increase in investments in its operations.

The company – in the 1980s one of the stars of the European media sector after the success of its original French pay-TV station – said it was on course to meet its profit forecast of around FFr1.2bn ($207m) for 1993. However, it expected a fall in net profits of up to 20 per cent next year.

Canal-Plus last year faced its first setback by reporting static net profits of FFr1.1bn on sales of FFr7.94bn. It recovered momentum during the first half of this year, with a 33 per cent increase in interim net profits to FFr676m from FFr507m.

However, the group faces a steep increase in investment during 1994. It is concerned it may be forced by the government to invest in France's struggling cable-television network as part of the terms of renewing its French pay-TV licence.

Canal-Plus also expects increased investment in its pay-TV interests and its thematic channels outside France.

Finally, it plans to protect its long-term position by adding to its library of programming rights and by increasing its own production activities.

Canal-Plus strenuously denied recent speculation in the UK that it might join a "white knight" consortium to rescue LWT, the London television company, now the target of a hostile bid by Granada.

The 1994 profits warning comes at a highly sensitive time for Canal-Plus, which is not only renegotiating its pay-TV licence with the French government, but has also been clouded by speculation about a reshuffle among its own shareholders.

Havas, the French media group that already owns 23.5 per cent of Canal-Plus, is believed to be planning to acquire the 20.4 per cent held by Compagnie Générale des Eaux, the utility concern.

Dutch bank enters Poland

By Christopher Bobinski in Warsaw

ING Bank of the Netherlands has agreed to take a 25.9 per cent share in the Bank Slaski, one of the nine Polish state-owned banks being privatised.

The agreement represents the first significant investment by a western commercial bank in an existing Polish banking institution. Earlier this year the European Bank for Reconstruction and Development took a 28.5 per cent share in the Wielkopolski Bank Kredytowy, the first bank to be privatised under the government's programme.

The Bank Slaski, based in Katowice in Poland's industrial heartland, has nearly 60 branches and a balance sheet worth 27,669bn zlotys ($1.32bn) at the beginning of this year. Its loan portfolio is weighted towards the chemical, steel and coal mining industries.

The price of the equity is expected to reflect the figure of 500,000 zlotys per share at which the 30.1 per cent of the bank's 9,260,000 shares were offered last month to small investors.

Last month saw massive demand for the small investor tranche with Poles subscribing around 5,000bn zlotys for equity worth 1,394.5bn zlotys. Each investor is expected to receive 3 shares each when the allocations are made next week. The public offer price is, however, expected to treble when the Bank is floated on the Warsaw Stock Exchange early in the new year. However, the Finance Ministry is expected to have asked the ING Bank to sign a commitment to keep its shares for a number of years after purchase.

The Bank Slaski's employees are to be sold 10 per cent of the Bank's equity and the balance is to be held by the Treasury.

London TV bid battle intensifies

By Raymond Snoddy in London

The £600m ($840m) battle over the future of London Weekend Television hotted up yesterday as Yorkshire-Tyne Tees admitted it had received "a preliminary approach" from the London broadcaster.

Mr Ward Thomas, chairman of Yorkshire-Tyne Tees, was prompted by speculation to acknowledge the approach, which could involve LWT taking over Yorkshire and Anglia Television acquiring Tyne Tees.

Under new government rules, which come into effect on January 1, one ITV company can hold two broadcasting licences but no more.

Neither LWT nor Anglia would make any statement on their intentions yesterday.

Granada, the television, rental and leisure group, which last week launched a hostile bid for LWT, immediately pounced on the Yorkshire admission.

Mr Alex Bernstein, Granada chairman, said the announcement meant LWT had accepted the Granada view that scale was essential if ITV was going to compete effectively.

LWT shareholders, Mr Bernstein said, would be faced with a clear choice: to combine with "one of the strongest and best managed media and leisure companies in the UK" or to combine with an ITV company "making significant losses and burdened with high licence payments".

LWT shed 12p to close at 576p yesterday; Granada finished up 6p at 501p.

Austrian Airlines to resume talks on alliance

By Patrick Blum in Vienna

Austrian Airlines (AUA) is to resume talks on long-term co-operation with Swissair and Lufthansa following the collapse last month of the Alcazar project. Alcazar was aimed at the merger of Austrian and Swiss carriers with Scandinavian Airlines System (SAS) and KLM Royal Dutch Airlines.

The supervisory board of the Austrian carrier decided at a meeting on Sunday to give a new impetus to negotiations with both the Swiss and German airlines. It also wants to hold separate discussions with Lauda Air, the private airline run by Mr Nicky Lauda, the former Formula One racing car driver, in which Lufthansa has a 25 per cent stake.

"The failure of Alcazar has created a new situation and we don't exclude anything," AUA said yesterday. This could include a tie-up with Lauda Air, though that would not solve AUA's main strategic concern, which is to find an international partner.

The Austrian carrier held parallel talks with Lufthansa during the Alcazar negotiations, and the German airline recently reaffirmed its interest in co-operation with AUA. Such co-operation, however, would have to take into account AUA's existing technical and commercial agreements with Swissair, AUA said.

Earlier this month, Swissair said it was considering the possibility of a smaller alliance with SAS and AUA as an alternative to the Alcazar alliance, which collapsed after months of negotiations over differences on the choice of a US partner.

The Austrian carrier has also been approached by Mr Lauda, who is reported to be offering AUA a 30-40 per cent stake in Lauda Air.

● The Austrian carrier expects operating losses to rise sharply this year, to Sch700m ($58.5m), compared with a deficit of Sch437m in 1992. The net loss is expected to be Sch460m after allocations from reserves.

Vard sells two cruise companies

By Hugh Carnegy in Stockholm

AEA Investors, a secretive investment company run by senior figures from the US corporate world, is to pay $565m to acquire two up-market cruise liner companies from Vard, the loss-hit Norwegian group.

Vard said its Miami-based subsidiary Kloster Cruise had signed a letter of intent with AEA for the sale of Royal Viking Line and Royal Cruise Line, which respectively operate two and three ships mainly on Caribbean cruises for American holiday-makers.

The Norwegian group, which also operates two ferry lines in Europe, said the move would enable Kloster to concentrate on strengthening its position in the mass cruise market, through its remaining Norwegian Cruise Line operation, in a bid to restore profitability.

AEA Investors is a privately-held New York venture capital and leveraged buy-out investment group whose shareholders consist mostly of wealthy former chief executives and chairmen of blue-chip US corporations.

Mr Henry Kissinger, the former secretary of state, is also reported to be a member of the group.

Since the early 1970s, when AEA was formed as a private investment vehicle for some of the wealthiest families in the US (including the Rockefellers, Mellons and du Ponts), the group has been acquiring small and medium-sized companies, mostly through leveraged buy-outs. It then ran them for a while before selling or floating them on the stock markets, often for a large profit.

AEA's most recent deal was the $315m acquisition in September of the California-based Sola eyeglass lens business from UK group Pilkington.

Losses have mounted recently at Vard, hitting NKr149m ($20.1m) in the first nine months of this year, compared with a loss of NKr3.23m in the same period last year. Part of its problem has been exposure to the four- and five-star segments of the cruise market, which have been the least profitable parts of the cruise industry in recent years.

It intends to build on its present 12-15 per cent market share in the more profitable three-star market by acquiring at least two new or used ships to add to Norwegian Cruise Line's fleet of seven.

However, analysts said Kloster would continue to face stiff competition from its bigger, better-capitalised rivals such as Carnival of the US, Royal Caribbean, a US-Norwegian operator, and Princess Cruises, a unit of P&O of the UK.

The deal with AEA involves AEA assuming $60m in advanced ticket sales, and a new ship commissioned by Royal Cruise due to come into service in early 1994. It will replace an older ship, which is not included in the sale. The restructuring of Kloster had been widely discounted in Oslo, pushing up Vard's share price by some 50 per cent over the past two weeks. It closed yesterday up NKr2 at NKr60.

Solid final quarter checks Degussa fall

By Christopher Parkes in Frankfurt

A clear improvement in the final quarter helped Degussa, the metals and chemicals group, to restrict the fall in earnings to just 14 per cent in the year to the end of September.

The company, which reported pre-tax profits down 26 per cent after nine months, said yesterday in an interim report income would rise in the current year, even though there were still no signs of an overall improvement.

Earnings for the period under review totalled DM172m ($101.2m), on sales up 16 per cent at DM15bn. The sales rise reflected a sharp increase in precious metals trading and new consolidations. Excluding these factors, turnover was unchanged.

The group attributed the new year's expected recovery to the effects of restructuring measures, and was cautiously optimistic that the two-year slump in the chemicals business was coming to an end.

In line with expectations, the 1992-93 dividend would be unchanged at DM7. Mr Gert Becker, chairman, said last March the payout would not be increased before the 1994-95 financial year.

Cost-cutting and the economic recovery in North America generated improved earnings in the chemicals sector, which contributed 46 per cent to group sales. The banking business also lifted profits.

However, losses in base metals deepened in spite of a 4 per cent rise in sales. Precious metals trading, which boosted turnover 53 per cent, made a smaller contribution to earnings than last year.

Turnover in pharmaceuticals rose 17 per cent, to DM2bn, on the strength of first-time consolidations, but was unchanged after adjustment. Income was "substantially below the very high previous year's figure".

The effects of rationalisation showed up most clearly in the German parent company, Degussa AG, where pre-tax earnings tumbled 65 per cent to DM32m on sales up 4 per cent at DM6.9bn.

While the group workforce was reduced by 4 per cent and payroll costs remained unchanged on the year, numbers employed at the parent were cut 14 per cent, and wage costs fell 12 per cent.

Overall capital expenditure was cut 18 per cent to DM498m, with spending at the parent reduced 35 per cent.

Deutsche ABB unveils top-level shake-out

By Christopher Parkes

Deutsche ABB, the German arm of the world's leading power engineering group, yesterday announced a top-level organisational shake-out designed to improve efficiency.

The changes, which follow similar moves at the Zurich-based parent, unveiled in August, include early retirement for Mr Manfred Simon, the director responsible for the core power generation division.

His job will be taken by Mr Hubert Lienhard, 42, currently a member of the three-man board of ABB Kraftwerke in Mannheim.

Mr Tom Sjökvist, 46, responsible for power distribution, is to move to group headquarters in Zurich, where he will take charge of global operations in electrical and mechanical installation and low-voltage apparatus and systems.

Electricity distribution will be bundled together with the transmission business and run as one division by Mr Sune Karlsson, in charge of transmission alone.

Construction and installation technology are also to be combined under the control of the current construction chief, Mr Georg Demling.

The industrial technology and automation sector will include robotics and electric motors, and come under the control of Mr Michael Pohr, 51, who takes charge as chairman of Deutsche ABB in May.

The current chairman, Mr Eberhard von Koerber, was named as group European director in last summer's reorganisation of the main board. In that reshuffle, the number of main board directors was reduced from 12 to eight, and the six operating divisions were cut to four.

The organisational changes in Germany mirror those at group level, which were introduced to help improve ABB's ability to compete for large-scale integrated projects. According to Mr Percy Barnevik, group chief executive, ABB needed a less "parochial" management structure to better bring together all its resources.

Deutsche ABB accounts for around 20 per cent of the group's DM50bn ($29.4bn) annual turnover.

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Cragnotti faces accusations over Canadian deals

By Bernard Simon in Toronto

The Ontario Securities Commission has accused Mr Sergio Cragnotti, the prominent Italian financier, of securities law violations involving Lawson Mardon, the international packaging group controlled by Mr Cragnotti's investment company.

The OSC said yesterday it expected Mr Cragnotti and one of his business associates, Mr Roberto Marziale, to submit a settlement proposal at a hearing in Toronto tomorrow.

Lawyers and OSC officials declined to disclose the terms of the proposed settlement. But similar cases have involved payments totalling several million dollars and a suspension of trading privileges.

Mr Cragnotti was arrested in Italy last month on suspicion of involvement in the Enimont bribes scandal. He has subsequently been released.

His company, Cragnotti and Partners, recently agreed to tender its 52 per cent voting stake in Lawson Mardon to Alusuisse-Lonza Holding, the Swiss industrial group.

Alusuisse is in the midst of a due diligence examination before deciding whether to proceed with a C$555m (US$417) offer for all Lawson shares. Although Lawson's head office is on the outskirts of Toronto, about four-fifths of its revenues come from Europe, mainly the UK.

An Alusuisse representative in Toronto said yesterday the allegations against Mr Cragnotti will not affect the proposed offer. He said the Swiss company has known "for some time" about the OSC's investigation.

The commission alleged that Mr Cragnotti and Mr Marziale "knowingly participated" in the trading of Lawson shares through nominee accounts during 1992 and 1993 "so as to create a false and misleading appearance of trading activity and an artificial price".

The commission also accused the two men of insider trading ahead of an equity offering by Lawson in October 1992. It alleged they made "misrepresentations" to the commission during the initial stages of its investigation.

Grupo and GMD start trading on New York SE

By Damian Fraser in Mexico City

Grupo Televisa, the Mexican media group, began trading on the New York Stock Exchange yesterday after placing $989m of stock in a secondary equity offering.

GMD, Mexico's third largest construction company, also started trading on the NYSE yesterday, after completing an initial public offering for $283m. It becomes the third Mexican construction company to be listed on the NYSE after an IPO, following ICA and Tribasa.

The GMD offering was split 50 per cent in the US, 25 per cent in Mexico and 25 per cent the rest of the world. It was managed by Bear Stearns in the UK.

Televisa's offering completes a complex stock restructuring that began when Ms Laura Azcarraga sold a portion of her stake in the company earlier this year to Mr Emilio Azcarraga, her brother and company chairman.

She also gave him the option to buy the remaining part of her stake between 1994 and 1996, and full voting rights over the shares in the meantime.

Mr Azcarraga sold some of his privately held Televisa stock in the public markets partly to finance the purchase of his sister's stake.

Other leading shareholders in Televisa also sold some of their stock to bring the total amount on offer to one tenth of the company's capital.

Canadian province may float utility

By Robert Gibbens in Montreal

NEWFOUNDLAND is seeking a new buyer for its Newfoundland Hydro utility after Fortis, a private holding company, broke off negotiations. Alternatively it may try to float Newfoundland Hydro through a public issue.

The talks between the province and Fortis had been under way since October 1, when Premier Mr Clyde Wells said the sale of the power generation utility would reduce the province's heavy public debt.

Fortis, based in St John's, already owns Newfoundland Light & Power, the distributor for the electricity produced by Newfoundland Hydro. Fortis wanted to merge both into a company with assets of nearly C$2bn (US$1.5bn), nearly 2,000MW of generating capacity and annual revenues of about C$700m.

Fortis would not say why negotiations ended, but Mr Wells indicated the company wanted more control over the merged company than the province was willing to surrender.

Although faced with charges that privatisation of Newfoundland Hydro would lead to higher power rates and job losses, Mr Wells said he would consider a public flotation.

● Ontario Hydro confirmed its 1993 loss would be significantly higher than the C$1.6bn estimate made a month ago, due to restructuring charges and write-downs.

But the utility reported it would supply US$270m of heavy water to Korean Electric Power. South Korea has two Canadian-designed nuclear reactors that use heavy water as a moderator.

● Teck, the mining and metals group that controls Cominco, is raising almost C$105m for new copper investments with an issue of 4.5m shares at C$23.25 each in Canada and Europe.

It will use the money to meet its share of the US$380m Quebrada Blanca copper project in Chile and its share of the US$300m Louvicourt copper-zinc project in Quebec.

DeBartolo calls off $690m investment trust issue

By Richard Waters in New York

A planned $690m flotation that would have created one of the US's biggest property investment vehicles was called off yesterday, the latest sign that the market for such issues has become saturated.

The transaction was to raise cash for the heavily-indebted property empire of Edward DeBartolo, one of the most prominent developers of shopping malls during the 1980s.

In a statement, the DeBartolo Corporation said the deal had been delayed "due to the current market conditions for publicly traded real estate investment trusts".

The decision comes at the end of a year in which cash-strapped private developers have rushed to take advantage of renewed interest in public property vehicles. More than $10bn has been raised so far this year by real estate investment trusts, or reits, according to Mr David Kostin, an analyst at Salomon Brothers.

Despite the congestion in the market, Merrill Lynch completed the largest-ever reit offering yesterday, raising $839m for another mall developer, Simon Property.

The Simon shares were priced at $22¼, compared with an indicated maximum price of $25 a share when the sale was first disclosed in September.

At the issue price, the shares yield 8.54 per cent, compared with an indicated yield when the issue was first announced of 7.25 to 8 per cent.

The increased yield needed to attract investors was due partly to the congestion in the new issue market and partly to the rise in Treasury bond yields since October, said Mr Thomas Davis, managing director of equity capital markets at Merrill Lynch.

Shares in DeBartolo Realty were said by other market participants to have been offered at a yield of 9 to 9.25 per cent, compared with the 7.7 to 8.2 per cent range it first indicated.

DeBartolo refused to confirm the figure, but said it had decided not to proceed with the issue at what it called "a heavily discounted price".

The abandonment of the issue is expected to intensify talks between DeBartolo and its bankers over a refinancing of the group's debts. The company said it "will monitor all . . . alternatives, including accessing the public markets in the future". The restructuring of its bank debt last year extended the maturity of a large part of the company's debts to five years or more, reducing the need for it to raise equity capital immediately.

Cash began pouring into the public property sector in the first four months of this year as retail investors and mutual funds searched for higher yields than those available in the equity and fixed income markets.

This pushed up reit share prices, contributing to a total return for the sector in the first 11 months of the year of 18.7 per cent, said Mr Kostin.

The congestion caused by the rush of new reit issues has coincided with a deluge of other new equity transactions in the past fortnight.

"We've got extraordinarily heavy supply, particularly given that it's the middle of December," said Mr Davis. The congested equity calendar is likely to run into January and early February.

Around eight small reit transactions are believed to have been called off in the past two weeks.

Bell Atlantic to sell TriCon for $350m

By Patrick Harverson in New York

Bell Atlantic, the US regional telephone group, plans to spin off its TriCon Capital financial services subsidiary in a stock market flotation that could raise as much as $350m.

The move is part a new strategy by Bell Atlantic to withdraw from financial services and concentrate on its core telecommunications business, which includes the cable television interests recently acquired in a $22bn takeover of Tele-Communications Inc.

Two months ago Bell Atlantic said it wanted to sell off its financial services divisions. Mr William Albertini, chief financial officer, then said the group would focus its ,financial resources on its core operations, adding that favourable conditions in the public and private markets meant the time was right to sell its financial services businesses.

TriCon Capital, based in New Jersey, provides commercial finance and equipment leasing services, and is an arm of Bell Atlantic Investments. Bell Atlantic's other financial services businesses include diversified leasing, computer leasing and real estate companies.

A total of 13.5m shares in TriCon will be sold in the initial public offering, which will be underwritten by the Wall Street investment banks Lehman Brothers and Salomon Brothers; 10.8m will be sold in the US, and the remainder internationally.

Federal Express delivers sharp earnings rise

Federal Express, the biggest overnight delivery company in the US, posted a sharp rise in earnings to $59.7m, or $1.07 a share, during its second quarter, up from $35.4m, or 65 cents, a year earlier, Reuter reports from Memphis.

Earnings per share outstripped analysts' forecasts ranging from 90 cents to $1. Revenues for the period ending November 30 climbed 8 per cent to $2.12bn from $1.96bn, while operating income rose 33 per cent to $149.7m from $112.7m.

International operating profit was $2.1m on revenues of $583.7m, while last year international operations lost $37.8m on revenues of $564.3m. Domestic profit slipped to $147.6m from $150.5m, despite a 10 per cent revenue gain to $1.54bn.

National Mutual in turnround

By Bruce Jacques

National Mutual Life Association, the Australian financial services group, has announced a return to the black for the latest year following a turnround of more than A$250m (US$168m).

The group reported a net profit of A$227m for the year to September against a restated loss of A$30.3m in the previous year.

Mr David Tomlinson, managing director, said the group's statutory reserves rose from A$1.08bn to A$1.33bn in the year.

Mr Tomlinson said the improved results reflected tighter expense controls, prudent underwriting and good investment results. He said the company's listing of its Hong Kong insurance business had also contributed gains while reorganisation of Australian and New Zealand insurance operations had reduced expenses by more than A$60m.

Goodman Fielder chief replaced in shake-up

By Bruce Jacques in Sydney

The chief executive of Goodman Fielder, the Australian food group, has been replaced in a shake-up of top management aimed at restoring investor confidence.

Mr John Studdy, chairman, announced last night that the company's chief executive, Mr Michael Nugent, would be replaced immediately by Mr Barry Weir, formerly managing director of Goodman Fielder's European operations.

The announcement, which came after the close of Australian share trading, surprised analysts although it continued an executive exodus from Goodman which has sapped investor confidence in recent months.

Most recent resignations include the company's baking and milling chief, Mr John Baird, and poultry and ingredients executive, Mr John Kenity.

Goodman's earnings growth has been sluggish in recent years, in spite of severe cost-cutting exercises and the sale of a number of non-core assets.

Market perception is that the company has failed to recover sufficiently from two failed takeover attempts in the late 1980s, a £1.3bn (US$1.93bn) tilt at Ranks Hovis McDougall, the UK food group, and a A$1.8bn (US$1.17bn) move on Industrial Equity, the former Australian corporate raider.

Despite recent market purchases of Goodman shares by potential acquisitors, the company's share price has underperformed the Australian market this year, raising speculation of a possible takeover or break up of the group. GF shares closed 3 cents higher at A$1.66 on Australian markets yesterday.

A measure of the swiftness of yesterday's action by the board came with Mr Studdy's announcement that Mr Weir had already assumed Mr Nugent's responsibilities.

Other management changes include the appointment of Mr Cees Spoon as chairman of the company's European operations and Mr Ken Green as operations director for Europe.

Mr Weir said last night he believed GF could meet "significantly improved performance targets in the near term". He said some of the company's businesses exhibited brand bias and others commodity bias and they should be managed accordingly.

"An early priority will be to develop a strong succession plan, with particular emphasis at the most senior management levels," he said. "The European group, which now accounts for 25 per cent of GF's turnover, is becoming a very strong performer for the group, with continuing integration benefits from the acquisition of Wessanen expected through 1995."

UAP gets go-ahead for lifting equity 5%

By Alice Rawsthorn in Paris

Union des Assurances de Paris (UAP), the largest French insurance group, has secured the government's consent to increase its equity by 5 per cent as part of the payment for its acquisition of Colonia, the German insurer.

The additional capital will be given to Suez, the French financial and industrial holding company with which UAP recently concluded months of negotiations over Colonia's ownership. UAP sees the deal as a prelude to privatisation.

UAP, which as a public-sector company requires the government's authorisation for any capital increase, had for years been trying to use its minority stake in Victoire, the French insurer controlled by Suez, to take over Colonia.

The two groups eventually reached agreement in October by striking an intricate deal whereby UAP will relinquish its Victoire shares, pay up to FFr3bn ($515m) in cash and cede part of its own equity in return for Victoire's controlling holding in Colonia.

NEWS DIGEST

James Hardie Industries buys Ausco

James Hardie Industries, the Australian building products group, said it had acquired Ausco, the country's leading portable buildings business, to merge with its existing modular building division, Reuter reports from Sydney. No financial details were given.

James Hardie said the merger would form a portable buildings group with annual sales of more than A$80m (US$54m) and establish it as a market leader in the sector.

Ausco makes, sells and hires remote area accommodation for mining, engineering and construction projects as well as classrooms, medical facilities, offices and living accommodation for government, defence forces and the private sector.

Rothmans unit in Burmese venture

Rothmans Industries said its Rothmans of Pall Mall (Singapore) subsidiary had entered into a joint venture to produce cigarettes for sale in Burma by the first quarter of 1995, Reuter reports from Singapore. The venture agreement is with The Union of Myanmar Economic Holdings (EHL).

The Rothmans unit will take up a 60 per cent stake in a new US$6.15m company to be set up and called Rothmans of Pall Mall Myanmar.

EHL will take up the balance of the equity. Rothmans will subsequently form a Singapore-incorporated company with Myanmar entrepreneurs as a vehicle for the Burmese project.

Ongko takes 40% stake in Radisson

Indonesia's Ongko Group has acquired a 40 per cent stake in Radisson Australia Private, a hotel management company based in Australia, Reuter reports from Jakarta.

Radisson, which manages hotels in the Asia Pacific region, including three in Indonesia, declined to disclose the value of the purchase or say whether the stake was a controlling one.

Ongko Group is one of the largest in Indonesia with interests ranging from ceramics to property and banks.

Miramar turns in 34% advance

Miramar Hotel and Investment, 34.8 per cent owned by the Hong Kong Henderson Investment group, reported interim earnings jumped 50 per cent to HK$40.3m (US$5.2m) in the six months to September 30 compared with the year-ago period, AP-DJ reports from Hong Kong.

Turnover rose 26 per cent to HK$521.7m from HK$412.7m. The interim dividend rises to 6 cents a share from 5 cents.

Great Eagle plans reorganisation

Great Eagle Holdings said it was considering reorganising its commercial and office property development activities and spinning them off into a single unit to be listed on the Hong Kong Stock Exchange, Reuter reports from Hong Kong.

Other units of Great Eagle will continue to be primarily involved in investment in residential, industrial and retail properties and hotels.

The new commercial property unit will remain a subsidiary of Great Eagle after the listing, the company said.

The stock exchange has not yet considered the proposals or application for listing, the company said.

Chilean brewer in share auction

Chilean brewer Compania de Cervecerias Unidas raised 8.5bn pesos (US$13m) from its auction of 3.7m shares on the Electronic Stock Exchange, Reuter reports from Santiago.

The shares, representing 1.42 per cent of the company, were sold in two lots of 1.85m shares each to brokers Midway Guaranty SA Corredores de Bolsa and I.M. Trust & Co Corredores de Bolsa, an Electronic Exchange spokesman said.

Each share was sold for a minimum 2,302 pesos.

Shareholders at Volvo to elect new board

By Hugh Carnegy in Stockholm

Volvo shareholders, whose revolt triggered the collapse of the Swedish group's plan to merge with France's Renault, will meet on January 19 to elect a new board, it was announced yesterday.

The meeting will be the first step in reshaping Volvo after Mr Pehr Gyllenhammar, the former chairman, and four fellow board members resigned earlier this month after bowing to shareholder and senior management pressure to call off the controversial agreement with Renault.

Swedish institutional shareholders have signalled their intention to take a more active role in the way Volvo is run.

U.S. $150,000,000

Formosa Plastics Corporation, U.S.A.

(Incorporated with limited liability in the State of Delaware)

Floating Rate Notes due 1999

In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from December 15, 1993 to June 15, 1994 the Notes will carry an Interest Rate of 5% per annum. The interest payable on the relevant interest payment date, June 15, 1994 will be U.S. $12,638.89 per U.S. $500,000 principal amount.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

December 15, 1993

CHASE

U.S. $500,000,000

CITICORP

Subordinated Bank Adjustable Note Capital Securities BANCS

Notice is hereby given that the Rate of Interest has been fixed at 3.625% and that the interest payable on the relevant Interest Payment Date March 15, 1994 against Coupon No. 29 in respect of US$50,000 nominal of the Notes will be US$453.13.

December 15, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 1 PLC

Class A-1 Mortgage Backed Floating Rate Notes Due March 2020

NOTICE IS HEREBY GIVEN to Bankers Trustee Company Limited (the "Trustee") and to the holders of the Class A-1 Mortgage Backed Floating Rate Notes Due March 2020 (the "Class A-1 Notes") of Mortgage Funding Corporation No. 1 PLC (the "Issuer") that, pursuant to the Trust Deed dated 31st March, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 31st March, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the redemption provisions set out in the Terms and Conditions of the Class A-1 Notes, Available Capital Funds as defined in the Terms and Conditions in the amount of £2,000,000 will be utilised on 31st December, 1993 (the "Redemption Date") to redeem a like amount of Class A-1 Notes. The Class A-1 Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS A-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Bearer Notes

137	178	287	291	312	619	726	755	823
969	980	1148	1235	1295	1346	1410	1536	1570
1577	1586							

The Class A-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York
PO Box 161, 60 Victoria Embankment
London EC4Y 0JP

Morgan Guaranty Trust Company of New York
Avenue des Arts 35, B-1040 Brussels, Belgium

Union de Banques Suisses (Luxembourg) S.A.
36-38 Grand-rue
L-2011 Luxembourg

Morgan Guaranty Trust Company of New York
55 Exchange Place, Basement A
New York, New York 10260-0023
Attn: Corporate Trust Operations

In respect of Bearer Class A-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unmatured coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class A-1 Notes which are the subject of this Notice of Redemption.

MORTGAGE FUNDING CORPORATION NO. 1 PLC
By: Morgan Guaranty Trust Company
as Principal Paying Agent
Dated: 15th December, 1993

NOTICE

Withholding of 31% of gross redemption proceeds of any payment made within the United States is required by the Internal Revenue Code of 1986 and amended by the Energy Policy Act of 1992 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class A-1 Notes to the paying agency's New York Office.

Johannesburg Consolidated Investment Company, Limited

(Incorporated in the Republic of South Africa)
Registration Number 01/00429/06

Gold mining companies' dividends

The following interim dividends have been declared in respect of the first half of the current financial year:

Companies (Incorporated in the Republic of South Africa)	Dividend number	Cents per share
The Randfontein Estates Gold Mining Company, Witwatersrand, Limited Registration No. 01/00251/06	117	100
Western Areas Gold Mining Company Limited Registration No. 59/03209/06	44	110

Last date for registration	7 January 1994
Registers close (dates inclusive) from	8 January 1994
to	14 January 1994
Currency conversion date (for payments from London)	17 January 1994
Date of payment	1 February 1994

These dividends are payable subject to the customary conditions which may be inspected at or obtained from the companies' Johannesburg office or from the London Secretaries, Johannesburg Consolidated Investment Company (London), Limited, 6 St James's Place, London SW1A 1NP.

Holders of share warrants to bearer issued by The Randfontein Estates Gold Mining Company, Witwatersrand, Limited are informed that payment of the above dividend will be made on or after 1 February 1994 upon surrender of coupon no. 120 to Barclays Bank Plc, Stock Exchange Services Department, 168 Fenchurch Street, London EC3P 3HP.

Coupons must be listed on forms obtainable from Barclays Bank Plc and deposited for examination on any week-day (Saturday excepted) at least seven clear days before payment is required.

By order of the Boards
Johannesburg Consolidated Investment Company, Limited
Secretaries
per: S Thorpe

Head Office and Registered Office:
Consolidated Building
Fox and Harrison Streets
Johannesburg 2001
PO Box 590, Johannesburg 2000

15 December 1993

THE WARDLEY CHINA FUND LIMITED

Unaudited NAV per share as at 30th November, 1993
US$11.41

NACIONAL FINANCIERA, S.N.C., Trust Division

as trustee of the Nafin Finance Trust

US$200,000,000 Guaranteed Floating Rate Notes due 1997

NACIONAL FINANCIERA, S.N.C.

Notice is hereby given that the Rate of Interest has been fixed at 5.875% and that the interest payable on the relevant Interest Payment Date March 15, 1994 against Coupon No. 5 in respect of US$10,000 originally issued face amount of the notes will be US$101.46.

December 15, 1993
By: Citibank, N.A., (Issuer Services), Agent Bank

CITIBANK

U.S. $100,000,000

GW

Great Western Financial Corporation

Floating Rate Notes Due 1995

Interest Rate	5¼% per annum
Interest Period	15th December 1993 15th March 1994
Interest Amount per U.S. $50,000 Note due 15th March 1994	U.S. $656.25

CS FIRST BOSTON
Agent

U.S. $50,000,000

Crédit Chimique

Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from December 15, 1993 to June 15, 1994 the Notes will carry an Interest Rate of 3.5% per annum. The interest payable on the relevant interest payment date, June 15, 1994 will be U.S. $176.94 per U.S. $10,000 principal amount and U.S. $4,423.61 per U.S. $250,000 principal amount.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

December 15, 1993

CHASE

Midland Bank plc

Incorporated with limited liability in England

U.S. $300,000,000

Undated Floating Rate Primary Capital Notes (Series 3)

For the six months from December 15, 1993 to June 15, 1994 the Notes will carry an interest rate of 3.6% per annum. On June 15, 1994 interest of U.S. $182.00 and U.S. $1,820.00 will be payable per U.S. $10,000 and U.S. $100,000 respectively for Coupon No. 15.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

December 15, 1993

CHASE

CITICORP

U.S. $250,000,000

Floating Rate Notes Due December 1995

Notice is hereby given that the Rate of Interest has been fixed at 3.5% and that the interest payable on the relevant Interest Payment Date March 15, 1994, against Coupon No. 1 will be US$43.75 in respect of US$5,000 nominal of the Notes and US$875.00 in respect of US$100,000 nominal of the Notes.

December 15, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

Russian results unsettle prices in European sector

By Tracy Corrigan in London and Frank McGurty in New York

German bond prices led other European markets lower yesterday on concern about the strong support for right-wing leader Mr Vladimir Zhirinovsky in the Russian elections, while the imminent conclusion of the Gatt world trade agreement failed to enthuse dealers.

GOVERNMENT BONDS

After showing little reaction on Monday, the markets were unsettled yesterday by reports that Mr Zhirinovsky had threatened Germany with nuclear attack.

However, the Reuters report was based on an old interview, according to North German Radio in Hamburg, which ran the interview as part of a profile of Mr Zhirinovsky.

News that a Gatt trade deal appears to have been concluded failed to boost the bond markets, which had discounted an agreement, traders said.

"It's important for its symbolic impact rather than for anything it will do to boost world trade: but failure to agree a deal would have been negative for the bond markets," said Mr Kit Juckes, an economist at S. G. Warburg.

Mr Michael Burke, an economist at Citibank, described the agreement as a series of "bilateral trade agreements wrapped up in a package".

■ Dealers said they did not expect the sell-off in the German bond market, where prices fell half a point yesterday, to be protracted, citing the lack of reaction to fears about the political situation in Russia in the foreign exchange market.

"The German market had a relatively good run last week and was running out of steam," said Mr Ifty Islam, bond strategist at Merrill Lynch. "[Mr Zhirinovsky] helped tip the scales," he added.

In the futures market, the March bund contract on Liffe had reached a new high of 101.05, before selling off sharply to end the day at its lowest point of 100.26.

Traders were also discouraged by the Bundesbank's emphasis that its press conference tomorrow is to announce next year's M3 broad money supply target, apparently suggesting there will be no interest rate cut.

Dealers will be keeping a close eye on the M3 target: if the upper end of the target range is left at 6½ per cent, this will be viewed as broadly positive for the bund market, leaving the way open for further interest rate easing in the first quarter of next year.

■ US Treasury bonds softened yesterday morning in a thin but volatile session driven by technical factors, rather than inconclusive data on November retail sales.

By midday, the benchmark 30-year government bond was down 11/32 at 99 25/32, with the yield rising to 6.256 per cent. At the short end, the two-year note was unchanged at 100 1/32, to yield 4.216 per cent.

The long end held up well after the release of November retail sales data, which showed a 0.4 per cent up-tick, as forecast.

Traders apparently chose to brush aside yet another indication of moderate to strong growth in the fourth quarter.

Near midday, however, the 30-year bond began to lose ground rapidly, but the price swing seemed to reflect the low volume of activity rather than any fundamental shift in sentiment.

■ The gilts market held up relatively well, easing back less than ¼ point at the long end, causing the spread between gilts and bunds to narrow.

Dealers said they would be focusing on today's November retail price data for further confirmation that inflationary pressures are under control.

■ Italian bonds also ended lower, dragged down by pressures elsewhere in Europe, despite the fall in yields at yesterday's BTP (Italian government bond) auction. Dealers said there were still strong expectations of further rate cuts soon.

At the sale, the Italian treasury sold L1,000bn three-year notes at a net yield of 6.98 per cent, down from 7.79 per cent in the last auction, and L1,000bn five-year notes yielding 7.24 per cent, down from 7.98 per cent.

■ French bond futures also fell sharply after reaching a new high on the Matif in Paris. French Bond prices dropped about ⅜ point, outperforming Germany.

■ Japanese government bond futures were little changed during Far East trading, but fell 20 basis points in European trading following Mr Zhirinovsky's comments.

Sterlite continues steady stream of Indian borrowers

By Sara Webb

Sterlite Industries, an Indian manufacturer of telephone cables, copper rod, and aluminium sheet and foil, made its debut in the international capital market yesterday with the launch of a $90m Euro-convertible bond issue.

INTERNATIONAL EQUITY ISSUES

The deal, due to be priced later this week, is the latest in a string of issues from Indian borrowers, all eager to raise finance from international investors. This steady stream shows little sign of abating next year.

Indian companies have raised nearly $800m this year with an assortment of international equity and convertible bond issues, compared with a total of $240m in 1992, according to figures from Euromoney Bondware.

This year's deals include a $140m convertible bond from Reliance Industries, the textiles and chemicals group, and a $75m global depositary receipts issue from Mahindra and Mahindra, the Indian truck manufacturer.

But such deals are likely to be dwarfed by the launch – probably in the first quarter of 1994 – of an international equity offering from Videsh Sanchar Nigam Limited, the Indian state-controlled international telecommunications network.

Investment bankers expect the offering to raise more than $500m, which would be the biggest share offer by an Indian company and the first from the public sector. Salomon Brothers and Kleinwort Benson are co-global co-ordinators.

VSNL will be the first telecom issue to surface from this particular emerging market, and so is expected to meet with considerable interest from specialist India funds as well as from funds with a broader investment brief.

"It's *the* telecom company . . . people have always viewed telecoms [shares] as core holdings, such as Telmex or Singapore Telecom: if you're going to hold something in this market, this is the one you hold because it's the most visible stock which is going to reflect the growth in the economy," says one international equity specialist.

The Indian government's economic reforms have sparked considerable interest among international investors in the market. While some of the international equity offerings got off to a shaky start, recent launches have generally been well received and have risen well above launch price.

Gujarat Ambuja Cement, the Indian cement company, issued a $75m convertible bond issue at par at the end of November, which is now trading at 130 according to Jardine Fleming, the lead manager.

Jardine Fleming said the Indian rally was being driven by liquidity from US and UK investors who could put as much as $200m-$400m into a range of Indian equities. "These funds are still massively underweight in India and want to raise their exposure," the lead manager said.

Mr Roger Bade, emerging markets fund manager at Commercial Union, said: "India is one of the more exciting emerging market stories. The political risk has diminished since local elections."

Brazil puts 36 groups on list for 1994 sale

Brazil has drawn up a list of 36 companies that could be privatised in 1994, Reuter reports from Rio de Janeiro.

Mr Andre Franco Montoro Filho, president of the privatisation commission, said the list included 19 companies in the petrochemicals sector.

Preliminary sale dates have been alloted to 32 companies which, according to the commission, will be sold for around $5bn in total.

Cobra, the computer group and Arafertil, a fertiliser producer, are set for sale in February. The sale of copper mining group Mineracao Caraiba, aerospace group Embraer and shipping company Lloyd Brasileiro have been set for March.

The list also includes regional electricity distributors Light and Escelsa in June and July respectively.

US investors indulge in Argentine tastes

By Antonia Sharpe

A seemingly insatiable appetite among US investors for Argentine bonds ensured a successful debut yesterday for Transportadora de Gas del Sur (TGS), Argentina's largest transporter of natural gas.

INTERNATIONAL BONDS

Lead manager Lehman Brothers said that TGS's $200m offering of five-year Eurobonds was two times oversubscribed and that 60 per cent of the bonds were sold into the US. The remaining 40 per cent was placed in Europe and Asia.

Last week, strong demand from US investors, confident that the Republic of Argentina would achieve an investment-grade rating before too long, enabled the sovereign borrower to increase the size of its first offering of global bonds to $1bn from $750m.

The strength of the demand also permitted Argentina to further tighten the yield spread which it pays over government bonds, thereby establishing a new benchmark for other Argentine borrowers raising funds internationally.

TGS's bonds were priced to yield 270 basis points over US treasuries which, according to Lehman Brothers, represented a spread of 20 basis points over the five-year area of the new yield curve for Argentine sovereign debt in the international bond market.

When the bonds were freed to trade, they rose to par bid from a launch price of 99.70. They later settled at 99¾, giving a spread of 266 basis points.

Syndicate managers expect a few more offerings from Latin American borrowers to emerge before the Eurobond market closes down for Christmas.

Petrobras, the Brazilian state-owned oil company, is expected to launch its first Eurobond offering denominated in yen later this week. The three-year deal, via Nomura, is expected to set a new record for a Euroyen issue by a Latin American borrower.

The largest deal to date is a Y20bn ($183m) three-year offering by Telebras, Brazil's state-owned telecommunications holding company, which was launched in late October.

At the launch, Telebras's bonds were priced to yield 445 basis points over the No 91 Japanese government bond but the spread has since tightened to 421 basis points. Syndicate managers said the current spread on Telebras's bonds would be taken into account during the pricing of Petrobras's bonds.

Elsewhere, investors continued to digest the terms of Fisons' offer to exchange its recent £100m offering of 10-year Eurobonds for a new offering of five-year Eurobonds in the wake of the company's restructuring plans. The amount of Fisons' public debt outstanding would not change as a result of the offer.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Transportadora de Gas del Sur	200	7.75#	99.70R	Dec.1998	1.00R	+270(5¼%-98)	Lehman Brothers Intl.
Sterlite Inds. (India)(a)§	90	(3½-4)	100.00	Jun.1999	-	-	Robert Fleming
Ryoden Development(b)★§	50	3.00#	100.00	Dec.1998	2.50	-	SBC, Zurich
YEN							
Kobe Steel(c)	10bn	3.20	100.00	Apr.2000	undiscl.	-	IBJ International
Kobe Steel(c)	10bn	3.00	100.00	Apr.1999	undiscl.	-	DKB International
Kobe Steel(c)	10bn	2.65	100.00	Apr.1998	undiscl.	-	Sanwa International

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. §Convertible. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing later this week. Conversion premium indicated at 5-10%. Callable from 30/6/96, subject to 130% rule, at par. b) Conversion price: HK$3.65. FX: 7.724HK$/$. Puttable on 31/12/97 at par. c) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/02	121.7000	+0.270	6.70	6.75	6.68
Belgium		9.000	03/03	115.9400	-0.310	6.64	6.75	6.94
Canada *		7.500	12/03	105.3000	+0.100	6.76	6.69	6.75
Denmark		8.000	05/03	112.2200	-0.200	6.24	6.32	6.40
France	STAN	6.500	05/98	109.5900	-0.050	5.19	6.05	6.09
	OAT	6.750	10/03	106.6700	-0.110	5.82	5.96	6.04
Germany		6.000	09/03	101.8750	-0.040	5.74	5.83	5.85
Italy		9.000	10/03	101.7750	-	8.72†	8.95	9.15
Japan	No 119	4.800	06/99	111.3090	+0.020	2.46	2.54	2.90
	No 157	4.500	06/03	109.9570	+0.060	3.14	3.16	3.55
Netherlands		6.500	04/03	105.3000	-0.400	5.74	5.79	5.79
Spain		10.500	10/03	114.0580	-0.220	8.35	8.42	8.57
UK Gilts		9.750	01/98	114-23	-	5.82	5.80	6.18
		8.000	06/03	111-25	-9/32	6.33	6.43	6.76
		9.000	10/08	122-24	-7/32	6.58	6.73	7.10
US Treasury *		5.750	08/03	99-29	-4/32	5.77	5.70	5.68
		6.250	08/23	100-08	-	6.24	6.18	6.18
ECU (French Govt)		8.000	04/03	113.8900	-0.100	6.06	6.29	6.35

London closing, *New York mid-day. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	125.60	125.30	-0.06	125.66	125.26	17,517	63,439
Mar	129.82	129.46	-0.06	129.86	129.44	174,125	130,409
Jun	129.04	128.92	-0.06	129.20	129.04	668	2,784

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
125	-	-	-	-	0.11	-
126	-	-	-	0.01	0.18	-
127	-	2.76	-	0.03	0.28	-
128	1.53	1.99	-	0.06	0.51	-
129	0.72	1.33	1.86	0.23	0.85	1.88
130	0.20	0.82	-	0.71	1.33	-

Est. vol. total, Calls 20,172 Puts 20,300. Previous day's open int., Calls 196,814 Puts 194,621.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.86	100.32	-0.53	101.06	100.26	147236	164298
Jun	100.91	100.26	-0.56	100.91	100.57	115	1031

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10000	0.91	1.28	0.59	1.00
10050	0.65	0.99	0.83	1.23
10100	0.45	0.78	1.13	1.52

Est. vol. total, Calls 16877 Puts 15962. Previous day's open int., Calls 182112 Puts 89650

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.53	103.25	-0.27	103.60	103.05	2129	10297
Jun						0	0

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116.57	116.17	-0.26	116.69	116.00	30564	75547
Jun	116.01	116.10	-0.40	116.01	116.01	1	164

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11600	1.94	2.92	1.77	2.62
11650	1.69	2.68	2.02	3.08
11700	1.46	2.45	2.28	3.36

Est. vol. total, Calls 1059 Puts 808. Previous day's open int., Calls 29668 Puts 30596

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	104.20	103.59	-0.65	104.29	103.53	31,466	74,329
Jun	104.14	104.00	-0.44	104.21	103.56	3,460	2,190

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	119-25	119-13	-0-04	120-00	119-13	1044	9060
Mar	118-30	118-20	-0-04	119-06	118-12	47594	126335
Jun		117-29	-0-04			0	69

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
118	1-60	2-13	1-10	2-19
119	1-15	1-46	1-39	2-54
120	0-63	1-24	2-13	3-30

Est. vol. total, Calls 4656 Puts 3801. Previous day's open int., Calls 69454 Puts 29762

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	121.72	121.50	-0.34	121.52	121.30	1,748	5,191
Mar	121.14	120.84	-0.40	121.36	120.80	3,987	11,236

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	116-12	116-14	+0.03	116-16	116-05	16,547	52,945
Mar	115-05	115-06	+0.03	115-11	114-31	239,110	247,969
Jun	114-04	114-08	+0.02	114-09	114-01	2,252	10,317
Sep	113-08	113-08	+0.02	113-08	113-04	674	14,239

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	116.71	-	-	116.71	116.50	1746	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Dec 14	Day's change %	Mon Dec 13	Accrued interest	xd adj. ytd		Low coupon yield Dec 14	Dec 13	Yr. ago	Medium coupon yield Dec 14	Dec 13	Yr. ago	High coupon yield Dec 14	Dec 13	Yr. ago
1 Up to 5 years (26)	130.87	+0.05	130.81	2.40	10.43	5 yrs	5.81	5.83	7.38	5.85	5.88	7.62	5.94	5.95	7.87
2 5-15 years (22)	162.00	+0.07	161.88	3.01	12.52	15 yrs	6.45	6.45	8.28	6.57	6.57	8.70	6.78	6.78	9.01
3 Over 15 years (8)	188.96	-0.11	189.17	2.89	11.21	20 yrs	6.54	6.55	8.51	6.60	6.59	[illegible]	6.80	6.80	9.09
4 Irredeemables (6)	225.60	+0.56	224.34	1.55	13.71	Irred.†	6.66	6.69	8.94						
5 All stocks (61)	157.29	+0.05	157.23	2.29	11.72										

Index-linked							Inflation 5% Dec 14	Dec 13	Yr. ago	Inflation 10% Dec 14	Dec 13	Yr. ago
6 Up to 5 years (2)	192.41	+0.05	192.31	1.00	4.26	Up to 5 yrs	2.00	2.01	2.55	1.22	1.23	1.66
7 Over 5 years (11)	191.61	+0.06	191.49	0.99	4.73	Over 5 yrs	2.97	2.97	3.96	2.81	2.81	3.76
8 All stocks (13)	190.76	+0.06	190.64	0.99	4.67							

Debentures and Loans						5 year yield Dec 14	Dec 13	Yr. ago	15 year yield Dec 14	Dec 13	Yr. ago	25 year yield Dec 14	Dec 13	Yr. ago
9 Debs & Loans (65)	150.70	+0.17	150.44	1.82	11.16	7.34	7.29	8.99	7.60	7.61	9.94	7.72	7.74	10.13

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 14	Dec 13	Dec 10	Dec 9	Dec 8	Yr ago	High*	Low*
Govt. Secs. (UK)	106.82	106.86	106.52	106.31	105.94	93.80	106.82	93.28
Fixed Interest	130.24	129.98	129.82	129.49	128.78	108.76	130.24	108.57

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 130.24 (14/12/93), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Dec 13	Dec 10	Dec 9	Dec 8	Dec 7
Gilt Edged bargains	83.8	102.4	106.2	122.7	107.6
5-day average	104.9	109.0	107.5	107.2	110.4

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1993 High	1993 Low
"Shorts" (Lives up to Five Years)						
Treas 8½pc 1994	8.47	5.32	100 13/32		102 11/32	100 13/32
14½pc 1994‡‡	14.22	5.31	101 31/32		109¼	101 31/32
Exch 13½pc 1994	13.11	5.07	103		109	103
Treas 10pc Ln. 1994‡‡	9.77	5.04	102⅜		105	102⅜
Exch 12½pc 1994	11.90	4.95	105		110	105
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or –	1993 High	1993 Low
10pc 2003	7.97	6.44	125 15/16		125⅞	109⅝
Treas 11½pc 2001-4	8.95	6.51	128½		128¼	116¾
Funding 3½pc '99-4	4.15	5.45	84 13/16		84	67
Conversion 9½pc 2004	7.66	6.44	123⅝		124	105
Treas 6¾pc 2004	6.53	6.31	103 13/16		103	87
6¾pc 2004 A (£50 Pd)	6.55	6.35	53		53	52
Conv 9½pc 2005	7.67	6.49	123		124	105
[illegible]						

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	1993 High	1993 Low
Treas. 2pc '94	(102.9)	-	-	136		136	131
2pc '96	(67.9)	0.97	1.85	204½		204½	194
4⅝pc '98‡‡	(135.6)	1.20	1.80	113		113	105
2½pc '01	(78.3)	2.26	2.61	175		175	159
2½pc '03	(78.8)	2.48	2.78	171		172	155
4⅜pc '04‡‡	(135.6)	2.52	2.80	116		116	105½
[illegible]							

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 14

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅛	100⅝		6.40
AlbertaProvince 8⅝ 95	600	108½	108⅞		4.51
Austria 8½ 00	400	113⅞	114⅛		5.74
Bank of Tokyo 8⅜ 96	100	107⅛	107⅝		5.00
Belgium 9⅝ 98	250	118⅛	118⅝		5.49
[illegible]					
United Kingdom 7¼ 97	5500	103¾	103⅞	-⅛	5.15
Volkswagen Intl Fin 7 03	1000	102¼	103⅛		6.59
World Bank 0 15	2000	28	28½	+⅛	5.05
World Bank 5⅞ 98	300	102¼	102¾		4.88
World Bank 8⅜ 00	1250	117⅞	118⅛		5.37
SWISS FRANC STRAIGHTS					
[illegible]					
YEN STRAIGHTS					
[illegible]					
OTHER STRAIGHTS					
[illegible]					
DEUTSCHE MARK STRAIGHTS					
[illegible]					
Alliance Leics 11⅞ 97 £	100	116⅝	116⅞		5.89
British Gas 12¾ 95 £	300	105¾	106⅛		6.22
British Land 12½ 16 £	150	141⅛	141⅝	-½	8.58
EIB 10 97 £	637	112⅞	112⅝	+⅛	5.59
Halifax 10⅜ 97 £	100	113⅛	113⅝		5.73
Hanson 10⅜ 97 £	500	113⅞	114	+⅛	6.27
[illegible]					
FLOATING RATE NOTES					
[illegible]					
CONVERTIBLE BONDS					
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated.

Vaux up to £27m but no full recovery yet

By Tim Burt

Difficult trading conditions in the hotel and brewing industry held pre-tax profits at Vaux Group to £26.6m, compared with £20.4m, in the year to September 30.

Although the switch to FRS 3 suggested profits had increased by 31 per cent, the regional brewer, hotels and nursing homes operator said that, excluding income from property disposals and the sale of its Blayney's off-licence chain in 1992, profits increased by a more sluggish 7.1 per cent from £24.8m.

Sir Paul Nicholson, chairman of the Sunderland-based company, said operating profits had improved in all divisions despite the lingering impact of the recession.

Trading profits rose 8.6 per cent to £42.9m (£39.5m) on turnover 5 per cent lower at £234.9m (£247.3m).

But he warned: "A full recovery is not yet in prospect. Profits so far this year are only marginally ahead of last year's levels."

Group profits were also depressed by a sharp decline in interest receivable from £4.45m to £384,000.

This was due mainly to the group's decision to withdraw cash from short-term deposits and increase borrowing from £122m to £138m.

Earnings per share showed an adjusted increase of 9.9 per cent from 13.93p to 15.31p.

A recommended final dividend of 6.25p (6.1p) gives a total for the year of 9.5p, against 9.35p.

Capital expenditure fell by 58 per cent to £31.5m (£75.3m) as the group consolidated its existing property portfolio rather than continue with rapid expansion of the hotels business.

Vaux and Ward Breweries, accounting for 44 per cent of group turnover, achieved a 10.2 increase in profits from £19.5m to £21.5m.

Vaux Inns – comprising the group's 127 managed houses – saw profits rise 3.4 per cent to £4.9m (£4.7m) on turnover of £37.4m (£36.6m).

For the first time since embarking on an expansion drive in 1987, Swallow Hotels reported better than expected results.

Profits rose 10.5 per cent to £13.8m (£12.5m) on sales of £79.8m (£77.9m).

In spite of the improvement, Sir Paul said recent bookings had been disappointing.

St Andrews Homes, the nursing home operator and smallest part of the group, saw profits increase from £4.1m to £4.6m on turnover of £14m (£13m).

COMMENT

Inclement conditions in Vaux's trading area have not dented the group's conviction that it is well placed to profit from a recovery. That confidence was reflected yesterday by a dividend increase ahead of market expectations. A lower than forecast tax charge of £5.5m (£5.99m) also surprised analysts. But in the absence of an imminent recovery, profits next year are not expected to exceed £30m on a forward multiple of 15.6, making the shares seem expensive.

Whessoe slips 11% to £7.14m

By Peter Pearse

After four years of steadily increasing profits, Whessoe, the instrumentation and control and piping systems group, saw pre-tax profits slip almost 11 per cent, from £7.98m to £7.14m, in the year to September 30.

Turnover expanded to £99.7m (£79.7m).

Mr Chris Fleetwood, chief executive, said the profits decline was mainly the result of "severe market trading conditions", and consequent pressure on margins, in certain of the group's markets.

Specifically he said that there had been a certain lack of activity at Connex and Aiton, the group's US and UK piping systems businesses respectively. He suggested that the government's pit closure programme had adversely affected Aiton by depressing UK demand for power station piping systems.

Further, he said that Varec, in the liquid instrumentation and control division, had a "mixed year" with a second-half downturn in the US.

Mr Fleetwood added that the project engineering division had still not been sold.

In October Whessoe gained the approval of the Norwegian government for the £21.8m acquisition of Autronica, the marine instrumentation and fire detection company which was part of the group's move away from dependence on the contract-based business of its pipework activities.

Consequently only two months of Autronica's trading results have been included: it made profits of £397,000 on turnover of £8.61m. However, Mr Fleetwood said the sharp increase in group net operating expenses to £17.8m (£12.8m) was due to the consolidation of Autronica.

A pension surplus of £977,000 was all but offset by a provision against the discontinuation of Whessoe Projects and interest receivable fell to £38,000 (£909,000) as Whessoe built up borrowings of £12.9m (nil) by buying Autronica.

Earnings per share under FRS 3 were 18.8p (25.04p) and adjusted were 20.97p (25.16p). A final dividend of 5.9p is proposed for a total of 8.2p (8p).

£425m rights rebuilds Trafalgar

By Paul Taylor

The £425m rights issue and placing announced yesterday by Trafalgar House underpins the new management's efforts to rebuild the group's battered balance sheet, and demonstrates its determination to fund the expansion of the core engineering and construction businesses.

Trafalgar's existing shareholders are being asked to provide £355m in new capital through a 1-for-3 rights issue of convertible preference shares at 100p each.

A further £70m is being sought through a placing of shares on the same terms to bring more institutional shareholders back on to the register.

The new shares are expected to begin trading on January 10.

They will pay an annual 6p dividend beginning in January 1995 and will be convertible into ordinary shares at 112 per cent of the average share price over the next three days beginning today.

Once converted they will represent up to 36.3 per cent of the group's enlarged capital.

Hongkong Land Holdings, which owns a 25.3 per cent stake in Trafalgar, has confirmed it will take up its rights in full.

The issue and placing, underwritten by Swiss Bank Corporation and Flemings, will raise about £404m. This will help transform Trafalgar's balance sheet and considerably strengthen its negotiating position with its banks.

Under the terms of its banking covenants, the group, which had net borrowings of £395.1m on November 12, including guarantees of associates's borrowings of £51.7m, is required to maintain net worth in excess of £500m.

Yesterday's write-downs would have caused the company to breach that condition.

However, the banks have suspended the covenants until the end of February, subject to the rights issue being completed. Following the rights issue the group will have pro forma consolidated net assets of £694.2m

In the meantime Trafalgar's board has negotiated a new £200m facility and additional bonding facilities of £100m from Midland Bank – a subsidiary of Hongkong & Shanghai Bank; Jardine Group, of which Hongkong Land is a part, has banked with Hongkong Bank for more than a century.

With the benefit of these facilities and the support of its other lenders, Mr Simon Keswick, chairman of Trafalgar and Hongkong Land, said the group intends to further restructure its borrowing and bonding facilities on more favourable terms.

"Our negotiating position will be very strong," he said.

In addition to strengthening the balance sheet and repaying some of the group's more costly debt, the proceeds of the rights issue will be used "to provide a strong equity and liquidity base to support the engineering and construction businesses".

These operations were identified in the group's recently completed strategic review as being "central to long term profitable development".

In the year to September 30 the engineering and construction businesses reported a "good performance" although operating profits before exceptionals were down for both divisions.

Operating profits from the engineering division fell to £67.6m (£90.3m) on turnover of £2.36bn (£2.37bn). The order backlog stood at £2.22bn at end-September, ahead £178m.

The construction division reported operating profits of £8.3m (£11.3m) on turnover of £850m (£847.9m), and the order backlog was £75m ahead at £1.13bn.

Mr Alan Gormly, chief executive, said no progress was envisaged in the engineering and construction businesses before 1995 because they benefit late from any economic recovery.

Property operations bore the brunt of the year-end asset write-downs. They reported full year losses before exceptionals of £9.6m, compared to a £200,000 operating profit last time. Turnover was flat at £332m (£333.1m).

As a result of the strategic review the group said it intends to remain in the UK commercial property business, but to continue to change focus from speculative development to creating income producing assets. Trafalgar also confirmed its decision to "disengage" from the US commercial property market, for which further provisions have been made.

Because of uncertainties over the value of long term developments such as Paddington Basin and Chiswick Park in London, their value has also been written down. The group made £87.2m of provisions to cover the write-down of wholly owned developments and £48.9m for its share of associates's developments.

The group also made a year-end provision of £22.3m to cover write-downs in the value of property it occupies itself, together with a £14m provision to cover its interests in investment and development properties and a £5.4m provision to cover its share of associates' investment property portfolios.

The value of the group's hotels, which were carried in the balance sheet at £124.1m a year ago, has been written down by £51.5m, of which £11.7m was charged to the profit and loss account and £39.8m to the revaluation reserves.

The division had, as expected, a better second half, but the year as a whole was disappointing with operating profits of only £7.6m (£27.6m) on turnover of £322.7m (£316.7m.)

Trafalgar said the recent level of passenger bookings for the Cunard fleet was encouraging. Part of the proceeds of the rights issue will be used to fund a substantial refurbishment programme.

A provision of £16m was also made to cover fleet disposals and £4.6m to cover cargo aircraft.

Intrum Justitia sees static result

By David Blackwell

Shares in Intrum Justitia, Europe's leading debt collector, yesterday fell 28p to close at 100p after warning that the declining value of Nordic currencies and a delay in recovery in Switzerland would hit profits for this year.

In September the group, based in the Netherlands and listed in London, reported pre-tax profits up from £6.81m to £7.47m for the six months to June 30.

However, the group said annual profits after tax would be "approximately the same as for 1992, which is below current market expectations".

Last year pre-tax profits were ahead 26 per cent at £16m. The final dividend of 2p made a total for the year of 3p. The group still expects to recommend an increase in the final dividend this year.

£51m raised for Fairbairn European Trust

Providence Capitol has raised £51m for the Fairbairn European Smaller Companies Index Trust, the first in a planned series of indexed investment trusts, writes Philip Coggan.

The trust will track the James Capel European Smaller Companies Index Trust, which covers 17 countries and 1,000 stocks.

Dealings in the shares are expected to start on December 16.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Dartmoor Inv	int	2.5‡	Jan 31	2.5	-	11.6
Ewart	int	0.4	Mar 7	nil	-	nil
First Technology	int	1	Mar 4	nil	-	1
Helma	int	0.933	Feb 14	0.777*	-	1.977*
Lloyd (David)	fin	1.95	Feb 25	-	1.95	-
Melville St Invs	int	1.5	Jan 28	1.5	-	4
Protean	int	1.05	Feb 15	0.9	-	3.6
Sheriff §	fin	2.5†	Feb 15	1	3.75	2
Southern Elect	int	6.7†	Mar 21	5.6	-	19.5
Southern Radio	fin	0.95	Feb 3	0.794	1.25	0.794
Southern Water	int	7.7	Apr 6	7.1	-	21.3
Trafalgar House	fin	2†	-	1.5	3.25	6
Vaux	fin	6.25	Feb 17	6.1	9.5	9.35
Whessoe	fin	5.9†	Feb 2	5.8	8.2	8

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Equivalent after allowing for scrip issue. §USM stock. ‡Second interim making 5p to date.

A North Sea hot potato

By David Blackwell

The Emerald Producer, the floating oil production platform written down by more than £42m by Trafalgar House yesterday, has consistently proved a problem child for its owners.

Most spectacularly it was behind the effective demise of Davy Corporation, founded in 1830, as the UK's largest independent engineering contractor.

It was originally a drilling rig, owned by Midland & Scottish Resources, operator of the Emerald oilfield east of Shetland. Midland sold it to Davy in 1989, at the same time awarding Davy a contract to convert it into a production platform.

Davy was then to sell the platform back to Midland for a fixed price of £118.8m in August 1990. But Davy had difficulties managing the conversion. Losses on the contract eventually ran almost as high as the contract price at £114m.

Trafalgar then took Davy over and agreed in May last year to lease the platform to Midland for $65,000 a day. Midland, which is still operating the platform in the Emerald field, found that production failed to live up to expectations.

Initial estimates suggested that the field would produce 30,000 barrels a day for the first two years of its life. It kicked in with a peak of 25,000 b/d in August last year, but this has dwindled to 16,000 b/d.

As a result Midland in August wrote off the entire value of the Emerald Field development. The provision of £97m put the company £113.6m in the red for 1992 on turnover of £28.1m.

In September the company defaulted on its charter payments to Trafalgar. Mr John Hawksley, managing director, said yesterday that the company was in discussions with Trafalgar to rearrange the charter to fit in better with the likely production and economic life of the field.

Trafalgar said the Emerald Producer had been carried in the balance sheet at September 30 at £66m, a figure supported by independent valuers. Following the default and reduced life expectation of the field, it is writing the value down by £42.1m and making a £9.5m provision for costs pending its redeployment or sale.

The results show that turnover from the platform fell from £16.9m to £15.8m for the year to September.

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Southern Electric pay-out surges

By David Lascelles, Resources Editor

Southern Electric is lifting its interim distribution to shareholders by 19.7 per cent.

The Maidenhead-based utility, which serves central southern England, also indicated yesterday that the full year increase would be in the 12 per cent to 14 per cent range, in line with analysts' forecasts.

Pre-tax profits in the six months to September 30 were £89.2m. Last year's outcome for the same period was £15.3m, but since then, Southern has altered its accounting to reflect changes in the timing of payments under the electricity industry's new contracts with British Coal. On a comparable basis, last year's result would have been £77m, suggesting a profit increase of some 16 per cent.

Turnover for the six months amounted to £764.9m, against £760.6m.

Mr Henry Casley, chief executive, pointed to three reasons behind the profits rise:

- Subsidiaries and associated companies had performed better, more than doubling their contribution. The contracting business transformed a £600,000 loss into a £1.7m profit. The retailing side reduced its share of the losses of a joint venture with Eastern and Midlands Electricity from £4.6m to £600,000.
- Interest charges were lower thanks to the repayment of £184m of government debt. Gearing has fallen from 17 per cent to 0.3 per cent.
- Costs are still coming down. Controllable costs fell by 3.5 per cent during the period. Manning levels in the electricity business are expected to fall from 5,276 at the beginning of this year to about 4,000 by 1995-96.

The interim dividend is 6.7p, against 5.6p, payable from earnings of 24.8p per share. Mr John Deane, finance director, said Southern was not aiming to rebalance its dividend split like some other regional electricity companies.

● COMMENT

Although Southern did not match the highest dividend increases produced by the recs this season, the market liked the result and pushed the shares up 7p to 679p. At this level they show a prospective yield of just under 4 per cent, using Mr Deane's indications, putting the group at the low end of the sector. Southern's drive against costs is yielding results, and the low level of gearing is underpinning progress on the financial side. With indications that housebuilding in its region is picking up, the potential looks good, particularly if progress can be maintained in the contracting and retail businesses.

Southern Water rises to £64.5m

By Peggy Hollinger

Southern Water yesterday reported a 7.5 per cent rise in interim pre-tax profits to £64.5m and at the same time attacked the water industry regulator over its approach to pricing.

The company warned that it would appeal to the Monopolies and Mergers Commission if it was unhappy with the outcome of next year's review.

"We believe the underlying mechanics on which the methodology is based are flawed," said Mr Martyn Webster, managing director. "There are equally valid and alternative methods which should be considered."

These included the approach taken to pricing at British Gas, where the MMC recommended a rate of return on assets of between 6.5 per cent and 7.5 per cent. Ofwat has suggested it will seek to reduce this for water companies from a 7 per cent level to the lower end of the 5 to 6 per cent range. Southern was particularly unhappy with Ofwat's approach to initial capital valuations and replacement expenditure.

Mr Webster said Southern would not hesitate to approach the MMC if it was unhappy with the final settlement. "We should lose our jobs if we did not go to the MMC," he said.

The improvement in profits for the six months to September 30 was achieved on the back of a 7 per cent sales rise to £171.9m.

The interim dividend is increased 8.5 per cent to 7.7p – the largest rise so far declared in this season's water sector results. Earnings were 7 per cent higher at 36.9p per share.

Southern enjoyed a 12 per cent increase to £61.9m in trading profits in its core utility water business.

The company's non-regulated businesses stood out in a sector which has reported a series of disappointing results from diversification. Profits rose by 9 per cent to £4.9m. After interest, the non-regulated businesses contributed £5.9m.

Mr Webster also announced the acquisition of an environmental research lab in Manchester for less than £1m.

● COMMENT

Southern begins to get more attractive just when water companies are falling out of favour. The group has in its favour a successful non-regulated business, a better than expected cash position, and a sterling record on customer service. It is also not afraid to put its head above the parapet on the forthcoming price review, unlike some of its sector colleagues. Nevertheless, it cannot avoid the uncertainty in the light of that very review. Ofwat's recent statements leave much up in the air. Full-year forecasts were held at £127m, but 1995 moves ahead on the back of the diversified businesses. If you are one of the few looking to plunge into the sector, this may be one of the more attractive.

Exports behind 24% advance at Halma

By Andrew Bolger

A strong export performance helped Halma, the safety and environmental technology group, increase pre-tax profits by 24 per cent to £10.1m in the six months to October 2.

Turnover rose by 22 per cent to £61.9m. Direct exports increased by 34 per cent to £18m and overseas sales by 37 per cent to £33.7m.

Mr David Barber, chairman, said overseas sales now comprised 54 per cent of group sales, the highest proportion ever.

The chairman said he was delighted with the results, which had been achieved even though the group's markets in the UK and in the EU remained relatively depressed throughout the period.

Despite this, many of the companies had produced very satisfactory results with outstanding performances recorded by Apollo Fire Detectors and by Memco, which makes electronic sensors for elevator doors. The American division also reported excellent results.

Mr Barber said: "The group can look forward to continuing growth and the second half should provide further evidence of this."

Earnings per share rose 21 per cent to 3.43p (2.83p) and the interim dividend is lifted to 0.933p (0.777p).

Birse to bolster balance sheet via £24m placing

By Andrew Taylor, Construction Correspondent

Birse Group, the building and civil engineering company moved yesterday to strengthen its balance sheet through a share placing to raise £24m.

The move was supported by Midland, its banker, which will take a minimum stake of 15.1 per cent in the company. This could rise as high as 26.2 per cent depending upon how much of the 125m share placing is taken up by existing shareholders.

Under clawback arrangements shareholders will be offered 1.89 new shares at 20p each for every share held.

The shares rose 4p to 27½p.

Bilfinger & Berger, the German construction group, is subscribing for £1.8m of new shares. Even so, its stake will fall from 14.45 per cent to 9.7 per cent. Family interests of Mr Peter Birse, chairman, are subscribing for £2m shares, reducing the family stake to 21.3 per cent (46.4 per cent).

The restructuring was supported by investment institutions which previously had no holdings in the company. These will now be left with a stake of between 16.9 and 29.3 per cent depending on the extent of the clawback.

It is the second time this year Birse has reorganised its finances with the aid of Midland. In February it announced it had rescheduled its borrowings "on a committed three year basis to May 1996".

Its borrowing position has deteriorated since then. At end-November net debt stood at £46.5m, compared with shareholders' funds of just £12.4m. After the placing the company will have net borrowings of £22.5m with shareholders' funds increased to £36.4m.

Mr Birse said borrowings, which were £27.2m at the April 30 year-end, traditionally peaked at this time of year.

Nonetheless, the pressure on the balance sheet had made it difficult for Birse to persuade customers it had the necessary financial strength to undertake large projects and break into new markets.

"The equity injection should alleviate this problems. With increased opportunities to tender for work we should be able to turn down some of the lower margin jobs we have been required to take," Mr Birse said.

● COMMENT

Yesterday's share placing, together with the debt rescheduling announced in February, should end speculation about Birse's future. The seriousness of its situation is emphasised by the decision of Midland to take a stake in the company. Birse, to have continued as it was, ran the risk of withering away as customer confidence evaporated. It can take comfort from the fact that institutions which previously did not hold the stock now feel sufficiently confident to take a stake in its future. UK contracting margins, however, are likely to remain meagre and new and old shareholders may still have to wait some time to see a return on their investment.

SEET deficit reduced to £23,000

SEET reported a reduced deficit of £23,000 for the half year to October 31, on turnover, from continuing operations, of £2.69m.

In the comparable period the textile company incurred pre-tax losses of £249,000 on turnover of £4.54m, including a contribution of £1.69m from Kenneth Mackenzie, the Stornoway-based Harris Tweed manufacturer sold in October 1992.

The outcome was struck after interest charges reduced to £17,000 (£119,000) and an exceptional credit of £35,000 (debit of £220,000).

Losses per share were reduced to 1.15p (7.68p).

Mr Jock Mackenzie, chairman, said that borrowings represented some 11 per cent of net assets at end-October. "We are confident that during 1994 SEET will start to expand," he added.

First Technology doubles to £1.8m

By Andrew Bolger

Recovery in the US helped to increase interim profits at First Technology, which makes crash dummies and safety sensors for the car industry.

Pre-tax profits more than doubled, from £807,000 to £1.76m, in the six months to October 31, while sales rose by 42 per cent to £16.1m.

Mr Fred Westlake, executive chairman, said the improvement in trading had prompted the board to pay an interim dividend of 1p. The group, which restructured its balance sheet last year after extensive disposals, did not make an interim payment last time.

The shares, which plunged from 500p in 1990 to 20p within 18 months, yesterday rose by 14p to 292p.

Mr Westlake said the group's automotive electronics business had experienced strengthening demand in both its main markets of the US and Europe.

In North America, new car sales were higher, while in Europe the turnover increase was due more to gaining new customers such as Honda and Fiat.

Mr Westlake said consumer awareness of safety issues was increasing, as manufacturers advertised features such as the group's fuel cut-off device. A kit to enable the device to be fitted to existing cars would soon be on sale throughout Europe.

First Technology said two European motor manufacturers had ordered its recently launched crash-activated seat belt unit, which uses a sensor to tighten seat belts on impact.

The US-based automotive safety operation, which makes crash dummies, had a satisfactory six months with both sales and profits up to expectations.

Mr Westlake said: "Sales to Japan were marginally lower than for the comparable period last year, reflecting the economic downturn in Japan. However, this shortfall was compensated by increased sales to South Korea. Indeed, South Korea is expected to become an important market as its car industry increases in importance."

Earnings per share increased by 75 per cent from 4.2p to 7.36p.

BTG makes £1.13m buy and seeks £3.1m

Business Technology Group, the office equipment supplier, is making an acquisition, a disposal and seeking £3.1m in an underwritten placing and open offer, writes Nigel Clark.

The proposals mark the first reorganisation moves since three former Securiguard executives took over the management of BTG in October and follows a review of the group's activities.

The company is paying up to £1.13m for Automatic Business Communications, a London photocopier and facsimile machine supplier. In the year to September 30 1992 ABC's service revenue was £1.04m.

The consideration is made up of an initial £500,000 cash plus 1.25m shares and a maximum profit-related payment of £200,000 in cash or loan notes and £250,000 for stock.

The company is placing 28.3m shares at 12¾p with an open offer to existing shareholders on a 4-for-7 basis. The proceeds will be used to fund the cash part of the purchase, and provide working capital.

Mr Alan Baldwin, chairman, said the review indicated a need for additional capital.

BTG is also pulling out of the vending equipment market with the disposal of Ultimate Vending Systems.

NEWS IN BRIEF

ANDAMAN RESOURCES is in talks with prospective investors with a view to pursuing further exploration opportunities. Discussions are based on the issue of new shares at 10p apiece to new and existing shareholders.

BAILLIE GIFFORD Japan Trust: Net assets per share 661.4p at November 30 1993 (792.8p at August 31) or 660.3p (769.9p) diluted.

CHESTERFIELD PROPERTIES has placed 935,000 new shares with institutions to raise approximately £5.51m net of expenses. The placing, through Paribas, represents 4.99 per cent of issued capital.

COOKSON GROUP is buying the technical ceramics division of Leco Corporation, a private US company, for $15m (£10m). Annual sales are about $18m.

IMI is, through GDC, a Mississippi-based subsidiary, paying $3.2m (£2.1m) for Casino Tokens of Las Vegas. The move, an expansion of IMI's minting operations, makes group companies the largest suppliers of casino tokens in the US.

INCHCAPE has, via Bain Clarkson, its wholly owned insurance broking offshoot, acquired a 65 per cent stake in Boels and Bégault, a Belgian broker, for a maximum £9.75m.

LLOYDS CHEMISTS has acquired two retail businesses in Wishaw, Lanarkshire, from J&V Morrison for £650,000 in cash plus stock at valuation.

METALRAX has acquired Fabricote, the metal coatings company, for an initial £93,188 cash with a further £125,000 payable on the satisfactory outcome of certain taxation matters. The company has also paid an initial £1m in cash and shares for Weston, the automotive lock maker. A further deferred profits-related consideration to a maximum of £1.5m will be satisfied in shares.

MOORFIELD ESTATES has acquired a property from Norwich Union for a total £2.7m in cash and shares.

NOREX AMERICA, in which Norex, the financial services group, has a 48 per cent stake, expects to receive about $74m (£49.6m) cash from Zapata Corporation under an agreement governing the prepayment of certain three year senior notes issued May 17 by Zapata.

NORTHERN IRELAND Electricity has applied to have its shares listed on the Dublin stock exchange. Dealings are expected to commence shortly.

SWIRE FRASER, the expanding Lloyd's broker and financial services group, has acquired Eastwood Renshaw, a West Yorkshire-based independent insurance broker. Swire is 80 per cent owned by Swire Pacific, the multinational trading group.

WESTERN SELECTION: Net assets per share, taking listed investments at market value, were 22.1p (11.46p). Earnings per share for 12 months to September 30 were 0.29p (0.15p). Dividend of 0.25p (nil) was declared.

COMPANY NEWS: UK

Boost from Glasgow as David Lloyd hits £5.7m

By Catherine Milton

The Scots like to eat and drink more after exercise than the English, according to David Lloyd Leisure, the tennis court and health club group.

It made the disclosure yesterday when announcing results for the year to September 30 showing that food and beverage sales were almost 20 per cent of turnover. It added that the figures were ahead of forecasts made at its flotation in March this year.

On September 1 the company opened a club in Renfrew, Glasgow, its first new build outside its greater London base. To date membership is ahead of expectations and matches those experienced at its London clubs at the same stage of their development.

However, Mr David Lloyd, chairman, said: "Customers at our new Glasgow centre spend about £3 a head on food and beverages compared with an average of £1.60 in Raynes Park, London."

The opening is important as it is seen as the first of many throughout the country.

Group pre-tax profits for the period rose to £5.67m (£3.08m), against a forecast of £5.5m. Earnings per share were 10.85p (7.9p) and as promised at flotation the board is proposing a single final dividend of 1.95p.

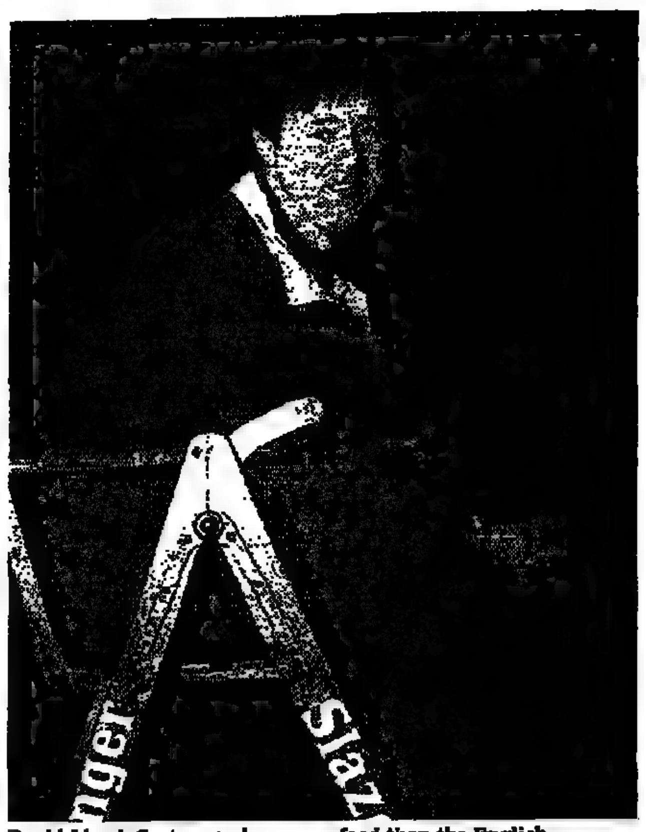
Advisers said food and beverages had grown as a proportion of turnover over the 11 years of the company's history in line with the increasing sophistication of club facilities.

He added that unlike many competitors the company did not contract out catering because it could achieve pre-tax profit margins of between 18 and 20 per cent and wanted to protect the standard of staff.

"We are not selling ourselves as a yield stock. People buy us because they see the growth prospects," said Mr David Gray, finance director.

In the present year membership was ahead of the comparative period, as were renewals. The company said 40 per cent of turnover was secure because about 80 per cent of customers would renew membership by continuing to pay monthly subscriptions of more than £40 while new members paid a £250 one-off joining fee.

Turnover was ahead at £19.3m (£15.6m), including £3.5m (£3.09m) from catering, with a full year contribution from three centres added during the comparative period. Operating profit was £6.37m (£4.56m). Net interest charges were halved at £695,000 (£1.48m) resulting from the £13.3m raised by the float. Gearing at the year-end stood at 12 per cent (80 per cent).



David Lloyd: Scots spend more on food than the English

Protean makes £9m double acquisition

By Joan Gray

Protean, the laboratory equipment and water purification specialist, is continuing its expansion programme with the £9m acquisition of two complementary companies, Techne and LIP.

Techne is a US-registered company but its controlled temperature equipment activities are carried out in the UK by a subsidiary at Duxford, Cambridgeshire.LIP, based in Yorkshire, makes medical and laboratory sample plastic bottles.

The purchases are to be financed by raising some £9m cash through a placing and offer to shareholders of up to 5.55m new shares at 180p on the basis of one new ordinary for every 4.73 ordinary held. The shares closed 7p higher at 199p.

Techne, which is to be purchased for £5.43m, made a pre-tax profit of £825,000 on turnover of £6.9m in the year to March 31.

LIP made a profit of £695,000, before tax and directors' remuneration, on turnover of £4.4m for the year to end-September. The purchase price is an initial £2.9m, plus further consideration linked to future profits up to a maximum of 684,020 ordinary shares – equal to a maximum of £1.3m.

Protean announced pre-tax profits of £1.73m (£1.38m) for the six months to September 30, on turnover ahead at £18.9m (£15.3m).

Earnings per share rose by 13 per cent, from 3.74p to 4.21p, and there is an increased interim dividend of 1.05p (0.9p).

The company bought Epsom Glass Industries and DA Baldwin, the water treatment company, at the end of 1992, when it also announced that it was seeking further acquisitions.

The latest purchases "underline our strategy of complementing the continued organic growth of our existing successful businesses with further additions in closely related fields," said Mr Peter Ryan, chairman.

He said they would serve to broaden the product ranges in the key areas of laboratory equipment and consumables and also overseas.

NEWS DIGEST

Southern Radio ahead to £0.96m

Southern Radio, which provides independent local radio services in Hampshire, Sussex and Kent, lifted pre-tax profits by 24 per cent in the year to September 30.

On turnover ahead 13 per cent to £8.61m (£7.64m) the pre-tax figure came out at £956,000, against £774,000.

The results were the first to reflect a full 12 month period for the enlarged group following the merger of Southern with Invicta Radio in December 1991.

On current trading, directors said revenues for the first months of 1993-94 were well ahead of last year.

Earnings per share rose to 2.26p (2.02p) and an improved final dividend of 0.95p (0.794p) is proposed for a 1.25p (0.794p) total.

The shares rose 7p to 65p.

Manakin proposes further distribution

Manakin Holdings, the investment trust which went into voluntary liquidation in 1991, had a net asset value of 82p per share at October 15, against 88p six months earlier and 100p at the previous year-end.

Since the appointment of liquidators in October 1991 five distributions to shareholders totalling £70.1m (342p per share) have been made. A further repayment of 8p will be made on January 21.

The net loss for the year was £435,445, against a profit of £22,067. Losses per share were 2.1p (earnings 0.1p).

The liquidator said that it was likely that losses would continue to occur as it was not his intention to invest funds for income purposes, but to distribute funds to shareholders as soon as possible.

He expected the liquidation to take another two years to complete.

Sheriff shows strong advance to £1.7m

Sheriff Holdings, the Nottingham-based independent plant hire company, saw annual profits advance strongly as it benefited from both organic growth and acquisitions.

On turnover ahead from £10.6m to £12.8m, including £846,000 from acquisitions, and after interest charges reduced to £90,000 (£312,000), pre-tax profits for the 12 months to end-September amounted to £1.71m (£686,000).

Mr Richard Dunn, chairman of the USM-traded company, said the performance had been aided by strong cash generation which would also enable it to carry out investment plans in the current year. Gearing at September 30 was 18 per cent, down from 48 per cent a year earlier.

A recommended final dividend of 2.5p lifts the year's total by 88 per cent to 3.75p (2p), payable from earnings of 11.5p (6.7p).

Bromsgrove Inds raises $18m in US

Bromsgrove Industries, the West Midlands specialist engineer, is raising $18m (£12m) through the issue of senior unsecured loan notes to two US insurance companies.

The notes, bearing a 7.8 per cent coupon, have a final maturity date of 2007. Repayment in tranches of $2m will be made from 2003 to 2007.

BTP makes two overseas purchases

BTP, the international chemicals and industrial group, has made two acquisitions in Australia and the US at a cost of £4.5m. Both businesses are complementary to existing activities and extend BTP's market position in key growth markets.

In Australia, BTP subsidiary Polymer Coatings and Adhesive Pty has bought the Australian adhesives business of Harcros Chemicals Pty.

In the US, BTP offshoot Nipa Laboratories, has acquired the speciality chemicals business of Kalama Chemicals, based in Garfield, New Jersey.

IOM Steam service agreement

Isle of Man Steam Packet has reached agreement in principle with the Isle of Man government on the future of the company's services to the island.

In broad terms, the company will guarantee a level of passenger and roll on-roll off freight services at about the present level in return for government protection of the company's status as the sole provider of such services to the island.

Subject to confirmation, the agreement will last for 10 years with a possible extension for a further five years.

Chemex turns in £12,961 deficit

Despite a turnround from a first-half loss of £53,679 to a £81,512 operating profit in the second six months, Chemex International, the chemical analysis company, ended the year to September 30 with a pre-tax loss of £12,961.

The deficit compared with a £52,083 profit last time, and was struck after an exceptional charge of £43,131 for capital reduction and relocation costs.

Turnover rose by 11 per cent to £1.33m (£1.2m); directors said current order books were at record levels.

Losses per share were 0.03p (earnings of 0.14p).

Aukett deficit trimmed to £2.25m

Losses at Aukett Associates, the building services and architectural group, were trimmed from £3.87m to £2.25m pre-tax for the year to end-September.

The directors said the company was now "on the road to recovery" and pointed out that the deficit took account of a loss in the opening six months of £2.06m on the disposal of discontinued operations.

Continuing activities moved back into the black in the second half and enabled the group to swing from operating losses before non-recurring items of £680,000 to profits of £135,000 for the full year.

Turnover slipped to £6.9m (£8.53m) of which £402,000 (£1.42m) arose from discontinued operations. Losses per share emerged at 16.82p (20.77p).

However, after stripping out exceptional items, headline losses were 1.71p (16.23p).

Ewart recovery continues

Ewart, the Belfast-based property company, continued its recovery programme during the half year to October 31 and revealed pre-tax profits of £351,000.

Last time there were losses of £260,000 but a second-half pick up left the year's figure at £156,000.

The group is also returning to the dividend list with a 0.4p interim.

Turnover for the six months advanced from £1.94m to £3.32m.

The directors stated that on December 10 notice of Mr Derek Tughan's resignation as chairman was received.

Melville Street net assets rise

Net assets per share of Melville Street Investments increased to 154p as at October 31, against 140p six months earlier.

After tax of £132,370 (£130,139) revenue of this investment trust emerged ahead at £516,248, compared with £390,768, giving a per share value of 2.77p (2.09p).

The interim dividend is maintained at 1.5p net.

PEOPLE

Builder constructs new GrandMet financial path

Gerald Corbett, Redland's 42-year-old finance director, right, has been headhunted to join Grand Metropolitan, a company with a market capitalisation more than three times that of Redland. The food and drinks group's share price fell 13p to 445p, while the building materials stock came off a more modest 6p to 577p.

His appointment follows a surprise re-shuffle in September, as a consequence of which George Bull was promoted to chief executive of GrandMet and David Nash, the previous finance director, moved up to become head of all food operations.

Corbett describes himself as a "pre-active, open and communicative " finance chief, who has steered Redland through "the worst recession in the construction industry in the UK this century". He points proudly to Redland's "financial ratios which are some of the best in the sector, a gearing ratio of 30 per cent and interest cover of 8 times".

He has been in the post six years, and is only four years younger than Redland's chief executive, Robert Napier. By contrast he is eight years junior to the next youngest member of the GrandMet board. "Yes, GrandMet is a lot bigger," says Corbett, "but that is what it is all about, isn't it?"

Corbett came to Redland from Dixons, where he had been director of corporate finance. Before that he had worked as a management consultant with Boston Consulting Group. He has an MBA from London Business School.

Though evidently surprised at the fall in the share price yesterday, he was not prepared

to comment directly on the market's view of his appointment.

He says Redland will look outside for his replacement; he will probably leave after the annual results in March, at which time his successor will "hopefully" be in place.

Miles to become Barings' joint deputy chairman

If you are 57 and have been the Taipan of one of Hong Kong's biggest trading houses, it hardly seems worth starting a second career.

But Michael Miles, an executive director of the family-owned John Swire & Sons, obviously feels that the sixth decade of life is ample time for a new start; he is about to become a full-time merchant banker.

Miles, who started with Swire in 1958, has spent most of his life in the Pacific basin.

He was chairman of John Swire & Sons (HK) between 1984 and 1988 and is also a former chairman of Swire Pacific and Cathay Pacific, Swire's two biggest quoted subsidiaries.

Early next year he becomes a joint deputy chairman of Barings, alongside Andrew Tuckey, 50, which means that Miles will be joint number two at Britain's oldest merchant bank.

A non-executive director of Barings since 1989, Miles is not a banker but sat on the board of the Hongkong and Shanghai Banking Corporation during his time as Swire's Taipan.

Although he is only six months younger than Baring chairman Peter Baring, who is expected to hand over to Andrew Tuckey in a couple of years time, Miles hopes to be in his new job for "three to four years".

He will continue as a director of John Swire & Sons and will retain "certain specific Swire group executive responsibilities".

Barings' decision to add a well-connected outsider to the team of four executive directors running the group underlines its ambitions in an area where old contacts are often just as important as bright ideas.

More than a quarter of its 3260 staff are based in the Pacific basin. One rival merchant bank speculated that Miles had been hired as a "high-powered door opener" rather than for his managerial skills.

Barings and Swire appear different but share similar characteristics. Both grew out of firms of family merchants which started trading at the start of the 18th century.

Although Barings is better known in the City, the Swire group is much bigger. In its last financial year it made pre-tax profits of over £600m on turnover of £3.6bn and along with its associates employs 74,000 people.

■ Ian Harrison has been appointed a director of RECORD TREASURY MANAGEMENT.

Vereker moves to ODA

The game of musical chairs at the top of the education department has produced another surprise move, with the appointment of John Vereker, formerly the department's head of schools, to become permanent secretary of the Overseas Development Administration.

He succeeds Tim Lankester, who is moving to head the education department following the controversial departure of Sir Geoffrey Holland to become vice-chancellor of Exeter university.

Vereker, 47, cut his teeth in the education department's more controversial jobs, serving as the first chairman of the Student Loans Company, established to start the gradual replacement of student grants with loans.

He also defies Whitehall stereotypes by being a graduate of Keele university, albeit one who was previously educated at Marlborough college. Vereker graduated with a combined honours degree in English and political institutions.

He now becomes one of Whitehall's youngest permanent secretaries, and presumably has a chance of moving eventually to be permanent secretary of the education department – both Lankester, and Sir Geoffrey's predecessor Sir John Caines moved to that job from heading the ODA.

Sir Geoffrey remains sphinx-like about why he left the education department after less than a year. He moved there after five years as permanent secretary at Employment, and favoured merging his old department's responsibilities for training with the education department.

Shanks' new finance man

Shanks & McEwan, the waste management company whose share price has nearly halved since early October, has found a new finance director. David Downes, 47, finance director of Hunter Saphir, the fresh produce distributor, joined the company yesterday.

He replaces Alastair Fowler, 55, whose surprise resignation on October 1, helped precipitate the collapsed share price. The company said that Fowler retired early because he did not want to move down South as the company relocated its headquarters from Scotland. However, the combination of his abrupt departure, followed by poor interim results, led to a sharp drop in the Shanks' share price. Following yesterday's announcement the share price rose 5p, to 92p.

Dearing steps down at FRC

Sir Ron Dearing, chairman of the Financial Reporting Council, is stepping down at the start of next year after more than three years in the job.

His replacement is expected to be announced shortly by the Department of Trade and Industry, which formally makes the appointment.

Sir Ron, who was chairman of the Post Office Corporation in 1981-87, will still be very actively occupied by his other commitments, including the Schools Curriculum and Assessment Authority.

He was persuaded to take on the Financial Reporting Council, a body of his own making, since he chaired the official 1988 report which recommended the creation of a new machinery for accounting standards-setting and enforcement.

CONTRACTS & TENDERS

Closure threat removed from Dutch zinc smelter

By Kenneth Gooding, Mining Correspondent

The threat of closure hanging over the Budel smelter in the Netherlands, which produces about 5 per cent of the western world's zinc, was removed yesterday, only days before the year-end deadline.

Budel, which employs 610 directly and provides a living for at least 600 more people, was under threat because it was running out of space to store cadmium-containing hazardous waste called jarosite – a product of electrolytic zinc production.

But yesterday it reached agreement with both the national and the local provincial governments for storage permits to be issued.

It also revealed that it is studying the viability of using zinc concentrate (an intermediate material) with a very low iron content from a recently-discovered ore body in Australia (believed to be a CRA deposit in Queensland), which would eliminate jarosite from smelter waste.

Technical and economic studies about this project should be completed in 1995 and the new concentrate could be used from 1998 onwards – in line with the Netherlands government's policy of having no chemical waste disposal after the year 2000.

Mr Wim de Graaf, Budel's general manager, said that by the end of this year Fl300m (about US$160m) of provisions will have been provided by the smelter's joint owners – Billiton, part of the Royal Dutch/Shell group, and Pasminco, the Australian resources company – and this should cover all the costs of storage and after-care.

During the past 20 years Budel, 2km from the Belgian border, which has a capcity of 215,000 tonnes a year, has generated nearly 2m tonnes of jarosite and continues to produce about 100,000 tonnes a year. Previously the Noord-Brabant regional government said this could not continue – the three artificial ponds in which the waste is stored cover 50 hectares.

By working flat-out since 1985 Budel, in co-operation with Outokumpu, the Finnish metals group, developed a method of smelting (or burning) jarosite to turn it into an inert material that could be used for construction and road building. But this technology would raise the smelter's costs by 25 to 30 per cent and leave it unable to compete with other zinc smelters world-wide.

Mr de Graaf said the governments were now convinced that permanent storage of jarosite in ponds with after-care was just as environmentally acceptable and much less costly than reprocessing.

The last-minute nature of the decision can be judged by the fact that Budel will start filling a fourth pond – already built but which it was previously forbidden to use – in the first quarter of next year.

Ironically, European zinc producers are at present negotiating a smelter "shut-down" agreement where the industry as a whole would pay the cost of closing one or two smelters. Mr de Graaf said: "We are glad to disappoint them. It would have been ridiculous to close Budel, which is one of the two best zinc plants in the world".

Price of cobalt up sharply

By Kenneth Gooding

The free market price of cobalt has soared by more than one-third in the past three days, traders reported yesterday.

Cobalt – a hard metal used in superalloys in such things as cutting tools, high-strength magnets and jet engines, as a powder in catalysts for the oil and man-made fibre industries and in radial tyres – had jumped from US$11 a pound on Friday morning to $15 by yesterday afternoon.

"In less than a week the whole wind direction has changed. What was a buyers' market is now one where consumers are scrambling to buy," said Mr Nick French, a director of Wogen Resources, the London-based minor metals trader.

He said the writing had been on the wall for some months because both producer and consumer stocks were low, little cobalt was emerging from Russia, and traders, who burned their fingers when they misjudged the extent of the recent fall in price – it has come down from $30 two years ago to a low between $9 and $10 a pound – had not had the confidence to stock up.

Prices were driven down by the sudden appearance of Russia as an exporter after the collapse of the Soviet Union.

Cobalt is produced mainly as a by-product of copper and nickel.

Cuban oil production set to soar 45%

By Canute James in Kingston, Jamaica

In an effort to ease a severe energy shortage that is crippling its battered economy, Cuba's domestic oil industry has lifted output to 1.1m tonnes in the year to November and is anticipating 1.2m tonnes for the full year, 45 per cent more than 1992 output.

The industry's hopes for even higher production have been raised by the decision of a foreign consortium, led by Total of France, to drill exploratory wells off the island's north coast early next year.

The domestic oil industry is being given more attention following a severe reduction in oil imports after the break-up of the Soviet Union, which was Cuba's main supplier. Imports once averaged 13m tonnes per year, of which 11.5m tonnes were consumed and the rest re-exported to western markets. Imports last year fell to 6.1m tonnes, and will be less this year.

It was once cheaper for Cuba to import Soviet oil than to exploit its own high sulphur deposits, mainly along the north coast.

The shortage has led to power cuts on the island, increased rationing of petroleum products and has adversely affected transportation in the key agriculture sector.

This year's output by the domestic industry will be the highest ever, surpassing the 938,000 tonnes of 1986. The locally-produced crude is used in some of the island's electricity generating plants, but these are running below rated capacity.

The consortium led by Total includes Compagnie Europeanee des Petroles of France, and Fortuna Petroleum of Canada. It was granted a six year contract 24 months ago by Comercial Cupet, a subsidiary of Cubapetroleo (Cupet), the Cuban state company.

The consortium has been doing seismological surveys in a 1,800 sq km concession in the Santa Clara region and the decision to drill the exploratory wells is being interpreted in Cuba as an indication that the deposits in the concession are commercially exploitable.

The Cuban authorities are hoping to attract more foreign companies to the oil industry, following its invitation earlier this year to Canadian and European companies to bid for concessions covering 11 blocks of between 1,400 and 6,000 sq km. Seven of the blocks are onshore, three are offshore and one is both offshore and onshore.

US companies cannot be involved because of Washington's 30 year-old economic embargo on Cuba. The island's government is offering 25 year contracts and production sharing arrangements, while the foreign companies are expected to provide their own capital and equipment.

Argentines angry over extension of fishing zone

By John Barham in Buenos Aires

A report in Argentina's press yesterday has thrown into confusion negotiations over the presentation of the 1994 fisheries agreement with Britain.

Argentina and the UK agreed in October substantially to raise next year's catch of the prized illex squid, the most sought-after resource in the waters surrounding the Falkland Islands.

Argentina will increase its catch by 70 per cent to 220,000 tonnes but the Falklands will retain their 1993 quota of 150,000 tonnes.

However, Clarin, Argentina's largest-selling newspaper, yesterday reported that the Falklands would open a sector of their waters closed to fishing since 1990. It criticised this as a "new step in the British government's policy of *faits accomplis*" and implied that Argentina had been duped.

Argentina has not lifted its claim over the islands, despite its defeat in the Falklands conflict of 1982. It resents British policy decisions in the region as an affront to its sovereignty. President Carlos Menem says Argentina will "recover" the islands by the year 2000.

However, British officials say they told Argentina in October of their decision to open the Falklands Outer Conservation Zone, a 50-mile-wide sector of sea north-east of the islands. The zone, set up in 1990 in the first fishing agreement with Argentina, had been renewed every year until now.

London was able to defuse anger in the islands over the sharply increased Argentine catch, by saying that opening the zone would make Falkland licences more attractive to Asian fishing fleets.

Licence sales, the islands' largest revenue source, have fallen sharply in the face of strong competition from Argentina. British officials say 1994 Falkland licence prices have increased by about 10 per cent.

A British official claimed that as a concession to Argentina, London had played down the opening of the zone. He said: "We are looking for ways to give the Argentines a soft landing and make things presentationally helpful for them".

But in a statement yesterday, Argentina's foreign ministry portrayed its agreement to opening the zone as a concession to Britain. "It is not [our] objective to generate economic problems for the islands".

Copper recovery 'unlikely before 1995'

By Kenneth Gooding

The copper market will have to wait until 1995 before a substantial increase in demand and a drawdown of stocks will cause a marked rebound in prices, according to Billiton-Enthoven Metals, part of the Royal Dutch/Shell group.

Analysts Karen Foster and Angus MacMillan suggest copper supply will outpace demand by 275,000 tonnes this year after a 75,000-tonne surplus in 1992. They predict a further 150,000-tonnes surplus next year but a 200,000 supply deficit in 1995.

This should take the average London Metal Exchange cash copper price, which reached 104 US cents a pound last year, down to 88 cents in 1993 and to 80 cents in 1994. The analysts suggest the price will get back to $1 a pound in 1995.

In a special copper market review, Billiton forecasts that copper consumption in the western world will slip from 9m tonnes last year to 8.975m tonnes this year before climbing to a record 9.175m tonnes in 1994 and 9.75m in 1995.

Meanwhile, supply in the west is expected to grow from 9m tonnes this year to 9.1m tonnes in 1994 and to 9.35m tonnes in 1995. The analysts suggest the west will remain a substantial importer of copper from Poland and the Commonwealth of Independent States – of 250,000 tonnes this year, 235,000 tonnes next year and 200,000 tonnes in 1995 – and this will help to create the supply surplus.

They also point out that between the end-1992 and end-1996 nearly 900,000 tonnes of new smelting capacity is expected to come into operation, representing an increase of roughly 10 per cent to western world capacity.

Copper Market Review: £100 or $150 from Billiton-Enthoven Metals, 84 Fenchurch Street, London EC3M 4BY, UK.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+21,875	to 2,421,325
Aluminium alloy	-140	to 48,540
Copper	-1,400	to 588,550
Lead	+450	to 299,450
Nickel	+460	to 120,720
Zinc	+375	to 877,475
Tin	-25	[illegible]

OECD report praises Hungary's low farm subsidies

By Nicholas Denton in Budapest

A report on Hungarian agriculture by the Organisation for Economic Co-operation and Development suggests that the sector is among the best placed to benefit from a liberalisation in world trade that would follow a successful conclusion of the negotiations in the General Agreement on Tariffs and Trade.

The study, the first such focused OECD report, finds that the level of agricultural subsidy in Hungary is lower than in any of the 24 developed states except New Zealand.

Hungary has a "producer subsidy equivalent" of just 8 per cent compared with an OECD average of 44 per cent, according to the latest 1992 figures.

Budapest's agriculture ministry said that the low level of support put Hungary's farm sector in a strong position in the event of a Gatt breakthrough that freed up world trade. While most countries would have to cut subsidies, Hungary would be allowed to maintain the current level of support and competitiveness would therefore improve, the ministry said.

A Gatt agreement would ease access to western European markets and, more importantly for Hungary, curtail dumping by European Union countries in third markets.

Hungary blames subsidised western European competition in part for the decline in its food exports to the former Soviet Union and last week drew attention to underselling by German pork producers.

While praising Hungary for reducing agricultural subsidies, the OECD warned that state support for farmers had bounced back in 1993 and that Hungary risked following western Europe's bad example.

The release of the OECD report clashed with Hungary's announcement that imports of dairy, sugar and pasta products would require licences next year. The move reverses a long process of liberalisation that had freed up all but 10 per cent of Hungarian imports. In 1994, 12 per cent of imports will require official permission.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1113.5-14.5	1133.5-34
Previous	1147.5-48	1167.5-68
High/low	1124	1160/1130
AM Official	1123.5-24	1142-43
Kerb close		1127.5-28
Open int.	282,248	
Total daily turnover	92,814	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	969-971	994-95
Previous	[illegible]	1008-10
High/low		1000/995
AM Official	980-82	1004-06
Kerb close		1000-02
Open int.	2,879	
Total daily turnover	873	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	464-64	477-78
Previous	473-74	487-88
High/low		493/475
AM Official	479-80	492-92.5
Kerb close		478-8.5
Open int.	32,367	
Total daily turnover	11,740	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5190-200	5250-60
Previous	5165-75	5225-30
High/low		5440/5220
AM Official	5250-55	5325-30
Kerb close		5210-20
Open int.	50,136	
Total daily turnover	21,000	

■ TIN ($ per tonne)

	Cash	3 mths
Close	4815-25	4870-80
Previous	4895-905	4950-55
High/low		4950/4800
AM Official	4875-80	4930-35
Kerb close		4880-70
Open int.	16,698	
Total daily turnover	4,842	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	977.5-78.5	996-97
Previous	1015-16	1033-34
High/low		1034/995
AM Official	1001.5-02	1019-20
Kerb close		996-7
Open int.	91,140	
Total daily turnover	30,004	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	[illegible]	1747-48
Previous	[illegible]	1770-72
High/low	1741.5/41	1771/42
AM Official	1741-41.5	1766-66.5
Kerb close		1746-7
Open int.	215,456	
Total daily turnover	103,335	

■ LME AM Official £/$ rate: [illegible]
LME Closing £/$ rate 1.4910

Spot:1.4890 3 mths:1.4817 6 mths:1.4766 9 mths:1.4729

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Dec	78.80	-1.25	79.40	78.65	1,951	352
Jan	78.90	-1.15	79.35	78.90	1,647	130
Feb	79.15	-1.20	79.70	79.00	990	-
Mar	79.45	-1.15	80.00	78.80	46,584	1,364
Apr	79.60	-1.15	79.75	79.75	534	30
May	79.80	-1.10	80.30	79.35	7,539	556
Total					71,134	3,547

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.80-387.20	
Opening	387.20-387.70	
Morning fix	387.80	260.256
Afternoon fix	387.00	259.654
Day's High	[illegible]	
Day's Low	385.50-386.00	
Previous close	386.20-386.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.80	6 months	2.81
2 months	2.80	12 months	2.81
3 months	2.80		

Silver Fix	p/troy oz.	US cts equiv.
Spot	345.05	513.75
3 months	349.15	517.35
6 months	353.20	521.55
1 year	360.90	530.95

Gold Coins	$ price	£ equiv.
Krugerrand	389-392	261-264
Maple Leaf	398.40-400.85	
New Sovereign	[illegible]	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	387.0	0	387.8	385.6	627	136
Jan	387.6	0	387.2	387.2	2	1
Feb	[illegible]					
Apr	[illegible]					
Jun	[illegible]					
Aug	[illegible]					
Total	[illegible]					

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]						

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]						

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]						

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]						

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]						

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	99.60	-0.60	99.80	99.50	970	[illegible]
Mar	100.90	-0.36	100.90	100.70	1,990	82
May	[illegible]	-0.45	102.30	102.20	1,566	93

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]		

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]		

■ BARLEY LCE (£ per tonne)

[illegible]		

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]		

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]		

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]		

■ POTATOES LCE (£/tonne)

[illegible]		

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]		

MINOR METALS

European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 1,600-1,650. Bismuth: min. 99.99%, tonne lots 2.30-2.50. Cadmium: min. 99.5%, 0.35-0.40. Cobalt: MB free market, 99.8%, 11.20-12.00 (11.00-11.45); 99.3%, 10.40-10.75 (10.10-10.55). Mercury: min. 99.99%, $ per 76 lb flask, 85-100. Molybdenum: drummed molybdic oxide, 2.65-2.75. Selenium: min 99.5%, 4.25-4.90. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO₃, cif, 27-39. Vanadium: min. 98%, cif, 1.35-1.45. Uranium: Nuexco exchange value, 9.90.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	982	+3	990	957	10,660	1,766
Mar	1026	-11	1030	1024	14,690	1,629
May	1027	-10	1030	1026	5,896	443

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]		

■ COCOA (ICCO) (SDR's/tonne)

[illegible]		

■ COFFEE LCE ($/tonne)

[illegible]		

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]		

■ COFFEE (ICO) (US cents/pound)

[illegible]		

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]		

■ WHITE SUGAR LCE ($/tonne)

[illegible]		

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]		

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]		

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]		

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 14	Dec 13	month ago	year ago
[illegible]	[illegible]	[illegible]	[illegible]

■ CRB Futures (Base: 1967=100)

Dec 13	Dec 10	month ago	year ago
[illegible]	[illegible]	[illegible]	[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	73.275	+.850	73.600	72.800	6,230	3,346
Feb	73.600	+.725	73.725	73.050	32,319	11,112
Apr	75.750	+.625	75.875	75.500	17,186	2,030

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]		

■ PORK BELLIES CME (40,000lbs; cents/lb)

[illegible]		

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

[illegible]		

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

[illegible]		

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

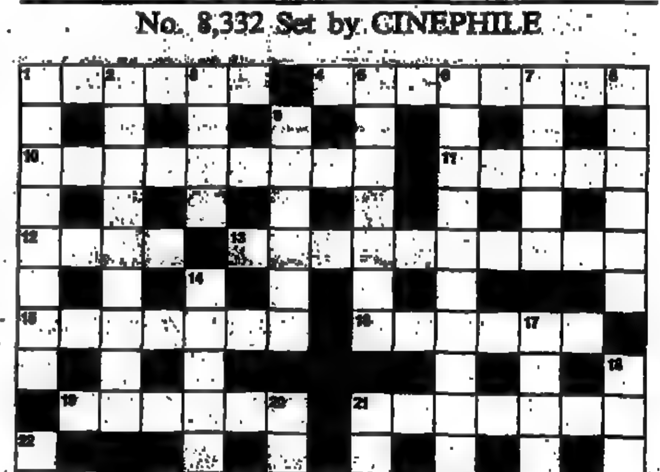
[illegible]		

■ OTHER

[illegible]		

CROSSWORD

No. 8,332 Set by CINEPHILE



AC has the same meaning wherever it occurs in the clues

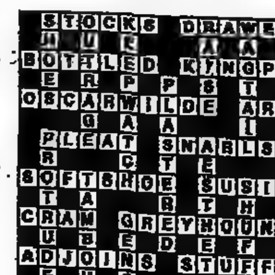
ACROSS

1 AC in change of leader for another AC.... (6)
4 .... next AC to last: puzzler's an infant outside the west (8)
10 AC formerly, chill spectre of the Rev W.A. Spooner (4,5)
11 Desert wickedness: very good! (5)
12 See saint in hell? (4)
13 Madness envelops most of puritans in AC (10)
15 Atmosphere, for example, in backward AC (7)
16 AC has a rule in a motorway (6)
19 Summons man for painful twist (6)
21 Vest, not vest? (7)
23 AC mob involved with a quiz in Maine (10)
25 AC so taken from one from another AC (4)
27 It sounds a handy prefix for AC capital (5)
28 Thirst cured with peg – seems a good move (5,4)
29 Takes ell, possibly, as outlined? (8)
30 AC painter swallows magic stick (6)

DOWN

1 Doing one performance, taking in fifty, produces nervous laughter (8)
2 What do you take in coffee? Lactose? (4,5)
3 Scottish island in church (4)
5 Put 'im under for the moment (7)
6 Badly bound atlas showing AC formerly (10)
7 AC is born to raise 9 (5)
8 Coming out of jail he became a prophet (6)
9 Desert parts of some ACs partly as a harassment (6)
14 Junction in introduction; think hard for the moment (3,7)
17 Physicist who worked with limestone, not unhealthily pale when getting up (9)
18 AC takes it, I hope in a different way (8)
20 AC takes it with reference to entering period (7)
21 The childless have a compulsion to produce Euphorbia (6)
22 Is suggestive of corporal punishment (6)
24 AC and river, formerly study leave? (5)
26 Liberal Tories rising in anxiety (4)

Solution 8,331



LONDON STOCK EXCHANGE

MARKET REPORT

Early advance turned back in nervous session

By Terry Byland, UK Stock Market Editor

A nervous stock market in London yesterday fell prey to a host of unsettling factors, ranging from the implications of the Russian election results to the prospects for interest rates in continental Europe and moves by the US and the European Union towards a settlement of the Gatt debate. Adding to uncertainty was heightened activity in stock index futures ahead of expiry on Friday of the December future contract on the Footsie index.

An erratic trading session saw the FT-SE 100 Index travel through a range of nearly 35 points before closing 6.2 down at 3,248.4. Traders sounded uncomfortable at the close, pointing to weakness in other European bourses after reported comments from Mr Vladimir Zhirinovsky of Russia's Liberal Democrats party, and to falls in UK bonds. Equity trading volumes increased as share prices eased in the second half of the session. "We've had all the good news for a while. Now is the time to watch out," commented the leading dealer at a US house.

The session started well, with the Footsie soon ahead by 23 points at an intra-day peak of 3,277.6 as firmness in the December stock index future supported hopes that the domestic Retail Price Index, due this morning, and the Bundesbank council meeting tomorrow, will open the way to a cut of at least half a point in domestic interest rates before Christmas.

However, analysts and traders in the Continental markets were clearly more cautious than London ahead of the Bundesbank meeting, and UK stocks began to falter as currency markets moved nervously. Dealers said that buyers were less willing to chase share prices until the stock index futures market clears its expiry hurdle.

Record closes overnight in key US stock market indices had given London a boost at first but the new session saw the Dow Jones Industrial Average turning off from a firm start to show a fall of 10 points in UK trading hours.

International blue chip stocks drew sustenance from the firmness of the US dollar which helps their overseas sales and profits. Pharmaceutical stocks achieved a scattering of gains which helped the Footsie Index.

Among domestic issues, Trafalgar House, the hotels and shipping group, delivered the disappointments for which the stock market was braced. Higher dividend payments continued to help some utility stocks and the expected indications of further bid activity surfaced among in the television sector.

Trading volume, moderate at first, had increased by the close of business to a Seaq total of 705.4m shares, compared with 654.1m on Monday, when retail or customer trade was worth £1.4bn. The FT-SE Mid 250 Index closed 6.7 ahead at another new peak of 3,614.3, but its gain had been halved in the second half of the day. Trade in non-Footsie stocks increased to around 63 per cent of the day's total.

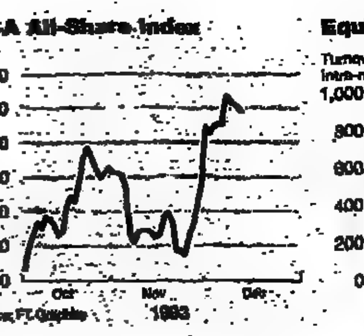
Optimism on the outlook for UK interest rates was helped by reports from the Confederation of British Industry of increased retail sales. But the overall market prediction is that today will bring news of a small rise in domestic Retail Price Index in November.

With international funds unwilling to chase share prices in London this week, the stock market is influenced by near-term and largely domestic considerations, with Friday's expiry in derivatives markets in both London and New York an important factor.

Account Dealing Dates		
*First Dealings		
Nov 29	Dec 13	Jan 4
Option Declarations		
Dec 9	Dec 30	Jan 13
Last Dealings		
Dec 10	Dec 31	Jan 14
Account Day		
Dec 20	Jan 10	Jan 24

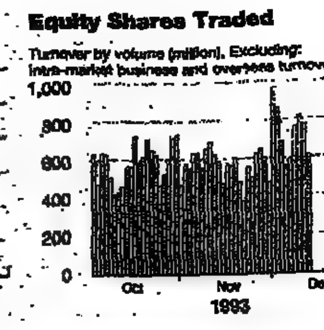
*New time dealings may take place from two business days earlier.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key indicators

Indices and ratios

FT SE 100	3248.4	-6.2	FT Ordinary Index	2447.3	-6.0
FT-SE Mid 250	3614.3	+6.7	FT-A 500 p/e	20.64	(20.45)
FT-SE-A 350	1619.5	-1.7	FT-SE 100 Fut Dec	3249.0	-10.0
FT-A All-Share	1599.89	-1.44	10 yr Gilt yield	6.33	(6.32)
FT-A All-Share yield	3.55	(3.54)	Yield ratio:	1.92	(1.92)

Best performing sectors

1 Water +1.5
2 Food Retailing +0.8
3 Motors +0.5
4 Business Services +0.5
5 Contracting, Cons +0.4

Worst performing sectors

1 Insurance Brokers -2.2
2 Insurance (Composite) -2.1
3 Engineering-Aerospace -1.7
4 Insurance (Life) -1.7
5 Metals & Metal Forming -1.1

Trafalgar rocked by results

In spite of the dire warnings, results from Trafalgar House still managed to shake the market as investors and analysts attempted to take in the scale of the losses and provisions.

The final deficit for the year to September 30 was £347.2m, including an exceptional charge of £397.3m. The dividend of 3.25p was as forecast by the company at the time of its profits warning in October. However, the company set the seal on the market's disappointment by stating that the current-year dividend was unlikely to be above one penny.

All this, together with details of a £404m one-for-three rights offer at 100p a share and a convertible issue as well, sent weary investors rushing to sell. The shares came under immediate pressure and stayed that way as talk of an angry post-results meeting filtered into the market. They closed off the bottom but still 10 down at 77½p in heavy 29m turnover.

Dealers said the relative attractiveness of the convertible pointed to further weakness ahead for the underlying stock.

It also raised the speculation further that Hong Kong Land, which holds a 25 per cent stake in Trafalgar, will embark on a full takeover.

Stores weak

There were a variety of bearish stories doing the rounds in a muted stores sector. Boots and Kingfisher were under pressure from talk that one of the big supermarket operators was about to embark on a promotion of its toiletries range which could lead the way to margin pressure similar to those that have afflicted the food sectors.

Stores analysts were largely dismissive of talk of a 'cosmetic price war', arguing that the supermarkets were unlikely to add to their already tough margin pressures. Kingfisher was also undermined on nervousness ahead of Darty's postponed results on Friday. The shares slid 12 to 719p, although turnover was thin. Boots was additionally pressured by a big seller. The shares fell 15½ to 534½p.

Meanhwile, the stores sector continued to be plagued with rumours of dull pre-Christmas sales. Signet, which has been one of the worst hit stocks, yesterday managed a halfpenny recovery to 17½p. But elsewhere, WH Smith slipped 3 to 507p, Storehouse 3 to 229p, Marks and Spencer 2 to 444p and Dixons a penny to 284p.

Redland slides

A variety of reasons were put forward to explain the underperformance of Redland, whose shares gave ground as other leading building materials stocks made good progress.

Dealers described the loss of the finance director, Mr Gerald Corbett, to Grand Metropolitan as a serious blow to Redland, but also focused on the impact of the Russian elections on sentiment in Germany, where Redland has a significant presence. There was also a worry that the much hoped for reduction in German interest rates may be deferred until the new year.

Redland shares retreated 6 to 577p on turnover of 1.4m. RMC, also extremely sensitive to economic trends in Germany, shrugged off the interest rate worries, closing 5 higher at 904p. Grand Met also fell back, with talk of a big US seller and reaction to Mr Corbett's appointment. The shares dropped 13 to 445p.

The recent welter of heavy interim dividend increases from the utilities sectors continued apace with the waters, recs and power generators beneficiaries of some sizeable switching out of the market's cyclical areas and into the relative safe havens of the utilities.

After Monday's bout of profit-taking, many of the recs returned to favour. Northern, due to report interims this morning and expected to increase its payment by around 18 per cent, added 10 to a peak 706p. Southern Electricity, up 7 at 679p, announced the expected 20 per cent dividend increase.

Water shares outperformed the recs, however, still boosted by the recent EC move to redefine its water quality standards. Southern Water's dividend was up to best expectations and saw the shares rise 12 to 660p. North West was the front runner among the FT-SE 100 constituents, closing 12 firmer at 586p, while Severn Trent gained 9 at a peak 626p. Anglian closed 7 up at 586p after 589p.

Lucas Industries was one of the most resilient performers in the motor components area of the market with the shares creeping up almost imperceptibly to a record 196p before ending the session a net 1¼ firmer at 195½p. Turnover was an unremarkable 1.8m shares. Dealers reported plenty of keen buying interest in the stock and noted a resurgence of takeover speculation involving the likes of T&N.

BP continued to attract the lion's share of activity in the oil sector, but came under some determined selling pressure late in the session as Wall Street lost ground.

BP were given a strong boost on Monday as at least two of the market's most influential brokers, NatWest Securities and Hoare Govett, were said to have been keen buyers of the shares. Today BP hosts a presentation to investment analysts at Britannic House.

Other analysts, however, were sceptical of some of the recent bullish stories on BP. "I'll be very interested to hear how BP will manage to achieve some of the more exotic profits figures that are said to be in the market if the oil price continues around the current $13 levels," said one specialist. BP ended 2¼ firmer at 326½p, after reaching 334p around midday.

Lasmo held at 107p; PDFM, the fund management group which has sharply increased its stake in Lasmo over the past few months, announced that it had upped its holding in the debt-laden oil group by 6.4m shares in the past two weeks. PDFM's stake was increased from 12.16 per cent to 13 per cent.

Granada Group added 6 to 501p, with UBS said to be positive. The announcement that Granada target LWT was in talks with Yorkshire TV, saw the former fall back 12 to 576p. YTV added 2 to 165p.

Composite insurers came under pressure shortly after midday with one marketmaker said to have been offering stock acquired in the previous day's programme trade. General Accident dropped 18 to 706p, Royals 12 to 711p and Sun Alliance 8 to 365p.

Radio shares were active following good results from Southern Radio, its shares gaining 7 to 65p. Chiltern Radio climbed 14 to 116p, Capital Radio 5 to 254p and GWR 27 to 630p.

MARKET REPORTERS:
Christopher Price,
Steve Thompson.

■ Other statistics, Page 19

■ NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (291)
BRITISH FUNDS (98) AMERICANS (3) Gen. Elect., Rockwell, CANADIANS (2) Inco, Rio Algom, BANKS (2) Espirito Santo, Westpac, BREWERS (3) Regent Inns, Vaux, Whitbread, BLDG MATLS (8) BPB Inds., Hepworth, SWP, Sheffield Ins., Travis Perkins, BUSINESS SERVS (3) Corporate, Corp. Services, Rolfe & Nolan, CHEMS (1) Laporte, CONGLOMERATES (3) Grampian, Harrisons & Crosfield, CONTG & CONSTRCN (7) Barratt, Berkeley, Bryant, McAlpine (A), Sherill, Westbury, Wilson Bowden, ELECTRICITY (3) Midlands, Northern, ELECTRONICS (8) Bowthorpe, Eurotherm, Farnell, Phonelink, Soundtracs, Vega, ENG GEN (9) BBA, Dobie, Mining & Allied Supplies, Molins, TI, FOOD MANUF (1) Acatos & Hutch., HEALTH & HSEHOLD (1) Amersham, HOTELS & LEIS (3) Compass, Rank Org., Vardon, INSCE BROKERS (1) Archer (A.J.), INSCE COMPOSITE (1) Dalgety Lloyds, INSCE LIFE (1) Transatlantic, INV TRUSTS (100) MEDIA (18) Capital Radio, Carlton Comms., Do. Pf., Central ITV, Chiltern Radio, Daily Mail A, EMAP, Flextech, GWR, Metal Bulletin, Metro Radio, Radio Clyde, Reuters, Southern Radio, Utd. News., MTL & MTL FORMING (2) Glynwed, Simonsbal, MISC (4) Christies, Faber Prest, Rothmans, Walker Greenbank, MOTORS (7) BBA, Do. Pf., Cowie (T), First Tech., Henlys, Lex Service, Lucas, OIL & GAS (1) Brit. Gas, OTHER FINCL (5) Aberdeen Tst., Carlisle, Cons Alex, LIT, Secure Tst., OTHER INDLS (3) Norcros, Whitecroft, PACKG, PAPER & PRINTG (2) API, Ferry Pickering, PROP (3) Land Secs., London Merchant 7¼pc Ln. 2000-05, Slough Ests. Pf., STORES (5) Lloyds Chemists, Do. Pf., Mallett, Smith (W.H.), Storehouse, TELE NETWORKS (2) Securicor A, Security Services, TEXTS (3) Dewhirst, Hamlet, Helene, TRANSPORT (5) CSX, Eurotunnel Uts., IoM Steam, Mersey Docks & Harbour, Vard, WATER (7) Anglian, Northumbrian, Severn Trent, Sth. West, Southern, Welsh, Wessex, SOUTH AFRICANS (3) OK Bazaars, S.A. Brews., Tongaat-Hulett, MINES (16).

NEW LOWS (20)
BRITISH FUNDS (1) BUSINESS SERVS (1) Business Post, CHEMS (2) Doeflex, Holliday Chem., FOOD MANUF (1) Sims, FOOD RETAILING (1) Appleby Westward, HEALTH & HSEHOLD (2) Healthcare, Huntingdon Intl., INSCE COMPOSITE (1) Aon, OIL & GAS (3) Pet. Pears., LASMO Pf., Midland & Scottish Res., OTHER INDLS (1) Metrotect, PACKG, PAPER & PRINTG (1) Hunterprint, STORES (3) Burton, T & S, TEXTS (1) Baird (W).

Data based on those Companies quoted on the London Share Service.

EQUITY FUTURES AND OPTIONS TRADING

Derivatives markets remained preoccupied yesterday with expiry of the December futures contract on the FT-SE 100 Index, writes Terry Byland.

Investors, including both institutions and local traders, continued to roll contracts over from the December position to the March contract, which will take over leadership at mid-morning on Friday. However, in spite of high volumes in both contracts yesterday, dealers warned that many positions still have to be rolled over before the December expiry.

For much of the session, December showed a premium of 6 to 10 points over cash – fair value is now zero. This provided good encouragement for underlying equities which was also reflected in a spread of around 21 points, or 7 on fair value, between the December and March contracts.

However, the picture darkened abruptly towards the close on reports, later questioned, of threatening comments from the leader of Russia's Liberal Democrats. The premium on December quickly vanished, replaced briefly by a two-point discount. The discount was recovered before the official close and selling pressure abated in later trading.

Volume in the December future was nearly 19,000 lots and in March about 8,000.

In an active traded options sector, turnover jumped to 35,490 contracts from Monday's 25,608. The Footsie option increased its share sharply, recording 15,626 lots against 9,486.

Among the individual options, the Euro FT-SE headed the list with 3,619 lots. Market nervousness towards BTR stock brought 1,613 trades in the option.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3272.0	3249.0	-10.0	[illegible]	3242.0	17965	38522
Mar	[illegible]	3270.0	-9.8	3305.0	3263.5	7924	[illegible]
Jun	-	3280.5	-9.5	-	-	0	951

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3245) £10 per full index point

	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P
Dec	249½	½	199½	½	149½	½	99½	1½	52½	3½	15½	15½	1½	54½	½	104½
Jan	262	5½	215½	9	170½	13	127½	20	91	33	60	52½	38½	81½	18½	118
Feb	278½	11½	232½	16	189	23	150	34	112	47½	82½	60	58	95½	37½	128
Mar	286	20½	249	26½	202	35½	164½	47	130	63	99½	83	74	109	51½	139
Jun†	312½	40			235½	62			168	95½			114	136½		

Calls 9,979 Puts 5,384

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Dec	324½	½	274½	½	224½	½	174½	½	124½	1	75½	1½	30½	6½	6½	30½
Jan	334½	3	286	4	238	6	192	10	148	15½	108½	25½	74	40½	48½	63
Feb	346	6			253	12½			168	26			99½	55		
Mar	358	14½			268	24			184	40½			114½	70		
Jun†	378	30			292	43½			217½		66		154½	100½		

Calls 1,259 Puts 2,023 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	14,000	62½	+1½
Abbey National†	2,000	462	+1
Albert Fisher	3,600	64	
Allied-Lyons†	1,300	618	+2
Anglian Water†	689	586	+7
Argos	1,800	[illegible]	[illegible]
Argyll Group†	3,300	261½	+1½
Arjo Wiggins†	838	243	[illegible]
Assoc. Brit. Foods†	40	542½	[illegible]

[illegible]

FT-SE Actuaries Share Indices — The UK Series

	Dec 14	Day's chge%	Dec 13	Dec 10	Dec 9	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3248.4	-0.2	3254.6	3261.3	3271.8	2717.9	3.63	[illegible]	23.15	97.16	1159.82
FT-SE Mid 250	3614.3	+0.2	3607.6	3601.3	3596.2	2680.4	3.38	5.56	21.63	95.10	1310.09
FT-SE Mid 250 ex Inv Trusts	3607.8	+0.2	3601.8	3597.0	3593.8	2690.9	3.49	5.96	20.50	97.74	1303.47
FT-SE-A 350	1619.5	-0.1	1621.2	1623.2	1626.6	1320.5	3.58	5.41	22.64	47.14	1214.64
FT-SE SmallCap	1781.98	+0.2	1779.06	1776.96	1775.37	-	3.08	4.02	33.23	43.20	1350.92
FT-SE SmallCap ex Inv Trusts	1742.11	+0.1	1739.61	1738.67	1740.71	-	3.33	4.65	30.17	46.49	1322.93
FT-A ALL-SHARE	1599.89	-0.1	1601.33	1603.06	1606.20	1295.90	3.55	5.33	23.28	46.11	1221.13

■ FT-Actuaries All-Share

	Dec 14	Day's chge%	Dec 13	Dec 10	Dec 9	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
1 CAPITAL GOODS(214)	1094.99	.....	1094.54	1102.20	1099.52	803.97	3.56	4.00	32.17	32.79	1303.07
2 Building Materials(28)	1334.86	.....	1334.56	1345.67	1333.12	801.66	3.36	2.77	50.01	35.60	1585.32
3 Contracting, Construction(29)	1086.66	+0.4	1082.24	1082.26	1072.66	647.87	[illegible]	1.17	80.00†	26.21	1520.41
4 Electricals(15)	2972.73	+0.2	2965.74	2974.44	2984.13	2336.20	4.65	3.67	34.48	107.76	1218.47
5 Electronics(36)	2710.16	+0.2	2703.51	2723.60	2733.17	2205.40	3.26	6.38	18.80	83.63	1197.60
6 Engineering-Aerospace(7)	461.04	-1.7	469.18	473.96	472.82	269.59	3.14	‡	‡	12.12	1617.17
7 Engineering-General(49)	639.54	+0.4	637.03	635.64	634.61	467.42	[illegible]	5.39	22.60	18.79	1292.38
8 Metals & Metal Forming(9)	502.36	-1.1	507.75	506.29	505.67	297.06	[illegible]	0.67	80.00†	9.76	[illegible]

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	45	18	15
Other Fixed Interest	1	0	14
Commercial, Industrial	326	231	880
Financial	37	83	72
Property	19	12	103
Investment Trusts	137	43	355
Oil & Gas	13	25	44
Mines	57	20	63
Others	59	32	58
Totals	695	444	1,604

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993 High	1993 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	27.9	102	92	Abtrust Lloyds	93		-	-	-	-
-	F.P.	2.4	40	36	Do Warrants	40		-	-	-	-
100	F.P.	30.5	101	100	Amicable Smlr Ent	101		-	-	-	-
100	F.P.	56.2	98	91	Angerstein	98	+1	-	-	-	-
250	F.P.	56.8	262	230	Azlan	260	+3	L3.0	2.6	1.4	31.0
115	F.P.	94.1	121	108	Badgerline	109		R4.1	2.1	4.7	12.9
150	F.P.	46.2	163	130	Biotrace Intl.	160	-1	-	-	-	-

[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993 High	1993 Low	Stock	Closing price p	+or-
89	Nil	21/1	33pm	28pm	Banner Homes	28pm	-5
50	Nil	27/1	4pm	4pm	Dwyer A	4pm	
12½	Nil	28/1	5pm	3pm	Greycoat	3pm	-½
155	Nil	31/1	40pm	17pm	NFC	27pm	+4
11	Nil	8/1	7½pm	2½pm	Sctf	7½pm	
145	Nil	5/1	20pm	18pm	Tay Homes	20pm	
152	Nil	14/1	23pm	11pm	Wyevale Garden	19pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Dec 14	Dec 13	Dec 10	Dec 9	Dec 8	Yr ago	*High	*Low
Ordinary share	2447.3	2453.3	2459.6	2462.9	2454.4	2067.3	2462.9	2124.7
Ord. div. yield	3.80	3.78	3.77	3.77	3.78	4.49	4.52	3.77
Earn. yld. % full	4.34	4.32	4.30	4.28	4.30	6.17	6.36	4.29
P/E ratio net	29.08	29.20	29.35	29.38	29.31	20.74	29.38	19.40
P/E ratio nil	26.98	27.08	27.18	27.21	27.14	19.10	27.21	18.14
Gold Mines	255.2	257.6	248.7	251.7	235.9	64.7	257.6	60.0

*For 1993. Ordinary share index since compilation: high 2462.9 9/12/93; low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Ordinary share base date 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2460.4	2463.1	2468.5	2467.2	2464.5	2463.5	2462.9	2455.6	2446.7	2470.2	2444.8

	Dec 14	Dec 13	Dec 10	Dec 9	Dec 8	Yr ago
SEAQ bargains	29,456	31,771	40,333	40,655	34,389	22,003
Equity turnover (£m)†	-	1439.2	1802.5	1959.2	1722.6	1148.1
Equity bargains†	-	37,056	45,845	46,706	38,420	25,609
Shares traded (ml)†	-	808.2	772.0	825.4	781.2	499.7

† Excluding intra-market business and overseas turnover.

TRADITIONAL OPTIONS

First Dealings	Dec. 6	Last Declarations	March 10
Last Dealings	Dec. 17	For settlement	March 21

3-month call rate indications are shown in Saturday editions.

Calls: Atlas, Anglo Pacific, Babycare, Clyde Pet., Ferromet, Flextech, Greycoat Props., Hardy Oil, JF Fledgling Jap., Minmet, Rodime, Signet, Simon Eng., Trafalgar House. Puts: JF Fledgling Jap., Mann Res. Put & Call: Bleobird Toys.

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LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		19	-⅛	20⅞	15⅝	15,901	2.4
Allegheny & W	♥	454p	-15	722p	399p	280.1	[illegible]
Amdahl		436p	+16	991p	294p	489.6	0.8
Amer Cyanamid		34½	—	39	31¼	3,099	3.4
Amer Express		20[illegible]	-[illegible]	25[illegible]	14⅞	10,015	3.2
Amer T & T		39[illegible]xd	-[illegible]	43¼	33⅛	40,270	2.4
Ameritech		51⅞	+[illegible]	59¾	46	22,712	4.8
Anheuser-Busch		33[illegible]xd	-⅛	41¼	29⅛	9,305	2.9
BankAmerica		29[illegible]xd	-⅜	36[illegible]	27⅛	10,648	[illegible]
Bankers NY		52[illegible]	+[illegible]	54¾	42⅞	4,338	4.0
Bell Atlantic		41	+1	44¼	32¼	17,576	[illegible]
BellSouth		39	+[illegible]	42⅞	32⅞	19,299	4.8
Bethlehem Steel	♥	12[illegible]	+[illegible]	13⅞	8½	1,114	-
Bowater		1577p	-28	1682p	1189p	571.4	2.5
CPC		31⅛	-⅛	34⅞	28	4,700	2.8
California Engy		1288p	—	1479p	1086p	234.5	-
Chase Manhattan		21⅞	-[illegible]	24⅞	17⅞	3,414	3.7
Chrysler		37[illegible]xd	+¼	39	[illegible]	11,073	1.4
Citicorp		23⅝	-¼	26	13[illegible]	8,544	-
Colgate-Palm		40¼	—	45⅞	32	6,426	2.4
Cont'l Bank		1688p	+47	1677p	1278p	1,703	2.4
Dana		38¼xd	-¼	39[illegible]	29[illegible]	1,607	2.9
Data General		629p	—	951p	527p	773.6	-
Decora Inds	♥	79½p	—	149p	79½p	-	-
Dun & Brad		42	—	45⅞	37⅛	7,488	3.9
Eaton		34⅞	+½	37⅝	25[illegible]	2,409	2.3
EchIin		21⅞	+[illegible]	22[illegible]	15[illegible]	1,280	2.2
FPL		23⅛	—	27⅞	[illegible]	[illegible]	6.5
Ford Motor		43⅛	—	43⅛	28[illegible]	21,216	2.5
Gen Elect		68⅞	+[illegible]	68⅞	53⅞	58,186	2.5
General Host	♥	454p	+2	723p	453p	-	5.0
Gillette		40[illegible]xd	-[illegible]	43[illegible]	31[illegible]	8,912	1.4
Hasbro		20⅞	—	20⅞	20⅞	1,819	0.8
Honeywell		22[illegible]xd	-[illegible]	28½	20[illegible]	4,678	2.8
Houston Inds		30¾	—	33¾	28¼	3,682	6.5
Ingersoll-Rand		24½xd	+[illegible]	26[illegible]	[illegible]	[illegible]	1.9
Lockheed		48½	+[illegible]	47⅞	35⅛	2,803	3.0
Lowe's		3573p	-47	3718p	1573p	[illegible]	0.6
Maxtor Technology		318p	—	432p	127p	-	-
Merrill Lynch		31⅛	-[illegible]	33[illegible]	18½	10,894	1.7
Morgan (JP)		47[illegible]	+[illegible]	52⅞	38⅛	9,181	5.3
Morris (Philip)		37⅛xd	+[illegible]	52⅞	28	32,534	4.7
NYNEX		28⅞	+[illegible]	32[illegible]	26⅛	11,711	5.5
Pall		13⅛	+⅛	15	10⅞	1,529	1.6
Pennzoil		36[illegible]xd	-[illegible]	47⅛	31[illegible]	1,692	5.4
Quaker Oats		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

BUSINESS SERVICES

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
ADT $	[illegible]	578	—	678	463	802.8	-
Adam & Harvey	[illegible]	280	—	233	180	10.7	8.5
Air London	[illegible]	61	—	82	56	8.41	7.2
African Lakes		44	—	59	37	3.10	5.7
Autot'ed Sec.	[illegible]	130	—	178	93	182.2	5.9
BET	[illegible]	137½	—	139	[illegible]	1,284	2.0
BNB Res		114	—	115	41	27.5	5.4
BPP	[illegible]	288	—	318	183	61.3	4.5
BSM	[illegible]	169	—	178	160	47.1	4.3
Barbour Index		240	—	285	195	38.8	4.2
Black & Edg	[illegible]	1¼	—	1½	0½	8.09	-
Boustead	[illegible]	23	—	28	15	20.8	3.8
Bridgend	[illegible]	23	—	27	12	6.75	†
Brit Data Mangt	[illegible]	222	-1	260	184	53.9	2.7
Brit Fittings	[illegible]	86	—	86	45	19.1	2.7
Brooks Service	[illegible]	58	-2	73	54	6.74	1.1
Business Post	[illegible]	187	-1	164	107	53.5	3.7
CRT	[illegible]	97	—	100	86	61.6	3.8
Capita	[illegible]	181	—	[illegible]	[illegible]	90.5	1.5
Casket	[illegible]	40xd	—	45½	[illegible]	32.0	2.8
Chiltern Capital As		22½	—	55	18½	20.8	-
Christie Group	N	70	+5	70	26	18.4	-
Chubb Security	[illegible]	349xd	+1	384	228	975.5	1.9
Corp Servs	[illegible]	38	+1	38	6½	14.3	-
Coutts Consulting		81	-2	91	20	19.3	-
Dart	[illegible]	140xd	—	142	50	21.4	2.9
Davis Service	[illegible]	217	+1	258	198	221.6	4.6
EW Fact	[illegible]	124	—	124	85	9.33	4.5
Gardiner	[illegible]	28	—	32	11	27.9	2.0
Hays	[illegible]	259	-2	277	215	1,046	2.6
Hogg Robinson	[illegible]	239	—	249	174	163.3	3.6
Holmes Protect S		39	—	70	34	17.2	-
Hutch Whmp HK$	♥	317	-5	[illegible]	127	11,443	1.5
ISS B DKr		521¾	+1	[illegible]	29¾	684.9	0.9
Inchcape	[illegible]	532	+2	637	475	2,787	3.3
Int Food Machinery	[illegible]	29	—	84	29	4.22	6.0
Johnson Cleaners		868	—	875	669	171.0	3.7
Leo	[illegible]	7	—	12	2½	84.8	-
MITIE		276	—	288	173	31.1	1.6
Manpower S		1099	-5	1187	893	817.7	-
OIS Intl	[illegible]	77	—	80	52	23.1	1.1
Page (M)	[illegible]	59	—	62	40½	35.3	3.8
Pennra	[illegible]	115	—	279	115	5.44	8.7
Prime People	[illegible]	3¼	—	4½	2	1.63	-
Proudfoot	[illegible]	83	—	142	57	39.4	29.8
RCO	[illegible]	370	—	423	337	38.8	4.8
REA	[illegible]	95	—	118	85	8.15	2.6

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	low
Scot Asian Pig		320	—	320	136
Warrants		175	—	175	225
Scot East		43½	-1½	45½	43½
Scottish Inv		232½	-½	238	183
Warrants		84	+1	94	35
Scot Mortgage		235	—	237	178
Scot National Inc		103	—	105	83
Cap		40	—	41	16
Stepped Pf		160	—	160	150¾
Zero Div Pf		233	—	233	207
Warrants		5½	—	6½	2½
Scot Value		107½	+1	107½	71
Sec Alliance		1845	+1	1855	1380
Second Consid		190	—	196	88
Second HBSC		186	—	109	102
Second Market		418	+8	430	256
Sec 1st Scot		94	-½	95	74½
Select Assets		182	+1	183	108½
Eq Ind Sert		136	—	141	128
Eq Ind Sertl		158	—	158	135
SHIRESCOT		145	+1	146	104

MERCHANT BANKS

	Notes	Price	+ or -	1993 high	low	Mkt Capm	Yld Gr's
Barings 8pc Cm 2nd Prf		110¾	—	120½	98	13.8	9.0
9¼pc Non-Cum Prf		130¾	—	138	113	32.3	9.3
Close Bros		485	—	485	250	218.7	2.8
Hambros		372	+2	400	243	653.6	4.6
7½pc Cv Pf		184	—	184	111½	231.8	8.1
Joseph (L)		418xd	—	428	[illegible]	[illegible]	5.0
Kleinwort Benson		541	—	549	372	715.2	3.9
Rea Bros		54	+2	54	30	21.2	1.3
Schroders		1262	+5	1335	487½	1,276	1.2
N/V		1143	+3	1315	387½	338.0	1.4
Singer & Fried		78	—	83	40	150.1	4.8
Warburg (SG)		887	-7	948	528	1,884	2.0
Wintrust		335	—	335	198	28.7	3.7

METALS & METAL FORMING

	Notes	Price	+ or -	1993 high	low	Mkt Capm	Yld Gr's
ASW		138	—	238	81	105.9	4.7
Apollo Metals		82	—	128	73	13.8	5.7
Ash & Lacy		184	—	178	143	48.8	4.9
Billiton (J)		225	-5	312	128	4.38	2.5
Brit Steel		131	-3	135½	54	2,828	1.4
CI		15	—	28	12	13.0	4.8
Castings		282xd	+1	285	[illegible]	48.6	2.6
Chamberlin & Hill		178	—	195	115	12.4	4.8
Cohen (A)		405	—	409	385	7.48	1.1
Cook (Wm)		225	—	280	128	85.9	2.9
Cooper (F)		80	—	84	43	28.4	3.4
Ferrada		78xd	—	78	32	7.82	3.2
Firth (GM)		14	—	15½	8	4.72	–
Garton		82	—	107	78	[illegible]	5.6
Glynwed Intl		341	+4	341	245	702.5	4.3
Goodwin		33	—	38	28	2.38	2.6
Johnson & Firth		38½xd	—	64	35½	81.2	4.6
Johnson Matthey		552xd	+1	557	425	854.3	2.8
Kobe Steel Y		185	—	228	147	4,384	2.4
Manganese Bro		132	—	132	71	21.7	2.4
Morris Ashby		177	—	180	134	38.9	4.1
Radiant Metal		88	—	95	73	[illegible]	–
Richards Grp		88	—	76	58	5.78	8.8

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES - Cont.

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

PACKAGING, PAPER & PRINTING

STORES

MINES

GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

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Sun Life Trust Mngmt Ltd (1200)H
101, Cannon St, London EC4N 5AD

Sun Life Unit Tst Man Co Ltd (1200)F
Acorn: 5 Rayleigh Road, Hutton, Brentwood, Essex

TSB Unit Trusts (1200)F
Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

PDFM Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Dec 7	879.30	908.58	—	2.80
Do Accum	1068.82	1104.27	—	2.80
Int Eqty Dec 13	273.58	276.86	—	1.08
UK Index Dec 7	1505.72	1534.82	—	3.60
Do Accum	1790.47	1820.45	—	3.60
Convertible Dec 8	122.19	124.38	—	6.37
World ex UK Index Dec 14	1084.34	1094.31	+30.58	1.83
Do Accum	1084.34	1094.31	+30.89	1.83
Japan Index Dec 14	721.88	728.30	+22.87	0.61
Do Accum	727.72	734.51	+23.01	0.61
USA Index Dec 14	1423.34	1439.80	+6.80	2.40
Do Accum	1618.70	1824.44	+5.99	2.40
Europe ex UK Index Dec 14	1259.14	1276.87	+23.55	2.19
Do Accum	1345.95	1364.81	+27.32	2.19
Pacific ex Jap Index Dec 14	2015.40	2033.38	+118.32	2.29
Do Accum	2207.39	2231.80	+125.38	2.29
Managed Exempt Dec 13	153.87	155.91	-0.06	3.89
Do Accum	732.78	737.20	-0.06	3.89
American Exempt Dec 13	165.39	156.30	—	1.81
European Exempt Dec 13	174.31	177.87	—	1.32
Japan Exempt Dec 13	144.23	147.32	—	0.33
Pacific Basin Dec 13	232.80	238.77	—	1.82
Global Bond Ex Dec 13	99.27	100.27	—	4.64
Index-Lnkd Gilt Ex Dec 13	102.25	103.97	—	2.17

Rothschild Asset Management

	Bid Price	Offer Price	+ or -	Yield Gross
NC Property		144.84	—	—

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt Accum	280.4	289.1	+1.1	0.97

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Swiss PPP Nov 12	406.5	427.9	—	—

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt Nov 30	131.27	137.08	—	2.80
(Accum Units)	148.65	155.16	—	2.66

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Royal Heritage Life Assurance Ltd

Scottish Provident Group - Contd.

Scottish Provident Assurance Ltd Funds

Swiss Life (UK) PLC

Century Life International Ltd - Contd.

Johnson Fry Asset Managers Plc

Lloyds Intl Money Market Fund Ltd

Federated International Funds Plc

Ulster Bank Investment Services

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

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JERSEY (REGULATED)(**)

Barclays Int'l Funds

Barclays Inv Funds – Contd.

CMI Asset Management (Luxembourg) SA

Kleinwort Benson Select Fund (u)

Liberty ALL-STAR World Pfolio–Eqty Fd(u)

Lloyds Bank Luxembourg

Midland International Circuit Fund SICAV(u)

Credit Commercial de France

Credit Lyonnais Rouse (Bermuda) Ltd

Credit Suisse

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

Citibank N.A.

Coutts & Co (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Commercial Union Luxembourg SA (u)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Russia damps D-Mark

The D-Mark weakened across the board on investors' increasing unease in the face of Russian radical nationalism and continued speculation over a possible cut in German interest rates this week, *writes Conner Middelmann.*

After initially shrugging off the strong gains of Russia's right-wing Liberal Democratic Party at Sunday's Russian elections, currency traders mulled over the implications of right-wing leader Vladimir Zhirinovsky's victory. News agency reports that Mr Zhirinovsky was threatening Germany and Japan with nuclear attacks caused market jitters. However, it later transpired that the reports were based on comments he had made to a Hamburg-based radio station in 1991 which were repeated by that station in a programme last Sunday.

"I was surprised the D-Mark didn't react to the Russian news on Monday, but (yesterday) it may have overreacted," said Ms Wendy Niffikeer, senior economist with IBJ International in London.

"At this level, Germany is a buy," said Mr Brian Hilliard, senior international economist at SGST in London. "The market reaction to the Russian developments is understandable, but not really justified."

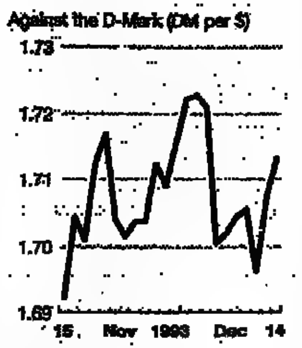
Further undermining the D-Mark was continuing speculation that the Bundesbank's central bank council would cut interest rates at its meeting tomorrow.

Bundesbank president Hans Tietmeyer's confirmation that the council meeting would be followed by a press conference gave the dollar a brief fillip. Mr Tietmeyer said the purpose of the briefing would be to announce the M3 money supply target for 1994, but some traders were hoping that it would be taken as an opportunity to announce a cut in interest rates.

The Bundesbank in its latest monthly report, published yesterday, said that it had made increasing use of fixed-rate securities repurchase agreements to quell excessive speculation of easing. On December 2 it announced it would hold fixed-rate repos at 6 per cent until January 5, the day before the first council meeting in the new year.

Dollar

Against the D-Mark (DM per $)



Source: FT Graphite

Pound in New York

Dec 14	Latest	Prev. close
£ spot	1.4885	1.4900
1 mth	1.4852	1.4868
3 mth	1.4811	1.4826
1 yr	1.4709	1.4722

Nonetheless, a survey by market analysis company IDEA revealed that some 40 per cent of market participants still expect the Bundesbank to cut its 5.75 per cent discount rate by 50 basis points on technical grounds to widen the present 25 basis point gap between the repo rate and the discount rate.

Ultimately, whether the Bundesbank cuts rates tomorrow or not should make little difference to the markets. "The important rate cut - the recent ¼-point cut in the repo rate - has already taken place; only a move that will affect money market rates will have a lasting impact," said IBJ's Ms Niffikeer. With repos fixed at 6 per cent, even a cut in the discount rate would have little impact on money market rates.

● Nervousness over the Russian political situation and continued German rate cut hopes pushed the US dollar to a high of DM1.7175. However, it eased back on slightly weaker than expected US retail sales numbers to end at DM1.7135, up from DM1.7050 on Monday. Against the Japanese yen, the dollar rose to Y109.35, from Y108.95 on Monday.

Comments from senior US trade representative Mickey Kantor that the US and the European Union had resolved their trade differences, paving the way to a GATT world trade treaty by its deadline tonight, had little impact on the currency markets. "A GATT settlement was pretty much priced in," said a senior currency dealer in London.

● Dogged by the Russian worries, the D-Mark also lost ground against most currencies in the ERM.

The French franc ended at FFr3.422 against the D-Mark, unchanged from Monday's close but off its high of FFr3.4140 during the day. The Belgian franc ended at BFr20.86 against the D-Mark, up from BFr20.94 on Monday. The Danish krone climbed to DKr3.916, from DKr3.923 the previous day.

Among the southern European currenies, the Spanish peseta rose to Pta81.69, from Pta81.91 on Monday and the Italian lira ended at L987.1, up from L989.4.

● Sterling had another strong day, helped by the D-Mark's weakness but also underpinned by a slightly bullish survey from the Confederation of British Industry. The pound closed at DM2.5500, up from DM2.5425 after hitting a high of DM2.5530. Against the US dollar it ended at $1.4885, down from $1.4905 on Monday.

Meanwhile the sterling money market remained very tight, causing the overnight rate to jump as high as 18 per cent in afternoon dealings, traders said.

"The tightness from last week's gilts sale is still overhanging the market," a senior money dealer said.

The Bank announced a shortage of £1.5bn which was later revised to £1.6bn. In early operations it bought bills totalling £200m for resale to the market on January 5 and 6 at 5⅝ per cent. In further operations it purchased bills totalling £24m at 5⅝ per cent, followed by £388m at the same rate. Finally, the Bank provided late assistance of some £790m.

Traders today will be looking to today's release of November retail price and retail sales data for further clues of inflation trends and whether these might permit base rate cuts.

POUND SPOT FORWARD AGAINST THE POUND

Dec 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.95	+0.1	790 - 800	18.02	17.82	17.9606	-0.7	17.9707	-0.5	-	-	114.2
Belgium	(BFr)	53.20	-0.05	315 - 325	53.40	53.15	53.305	-2.4	53.445	-1.8	53.825	-1.2	113.2
Denmark	(DKr)	9.9875	+0.0125	825 - 925	10.0050	9.9700	10.0098	-2.7	10.039	-2.1	10.1153	-1.3	115.6
Finland	(FM)	8.5835	+0.0195	830 - 840	8.6050	8.5425	-	-	-	-	-	-	79.2
France	(FFr)	8.7276	+0.025	225 - 325	8.7326	8.6950	8.7371	-1.3	8.7543	-1.2	8.7825	-0.6	108.1
Germany	(DM)	2.5500	+0.0075	475 - 525	2.5600	2.5425	2.5519	-0.9	2.5547	-0.7	2.5585	-0.3	123.6
Greece	(Dr)	365.85	+1.5	535 - 635	366.00	364.55	-	-	-	-	-	-	-
Ireland	(I£)	1.0535	+0.0015	530 - 540	1.0566	1.0500	1.0541	-0.7	1.0556	-0.8	1.0606	-0.7	102.3
Italy	(L)	2517.00	+1	650 - 750	2521.75	2510.75	2523.85	-3.3	2536.85	-3.2	2593.15	-3.0	75.9
Luxembourg	(LFr)	53.20	-0.05	315 - 325	53.40	53.15	53.305	-2.4	53.445	-1.8	53.825	-1.2	113.2
Netherlands	(Fl)	2.8575	+0.0075	525 - 625	2.8650	2.8475	2.8582	-0.3	2.8594	-0.3	2.8575	0.0	119.0
Norway	(NKr)	11.0750	+0.045	700 - 800	11.0850	11.0250	11.0812	-0.7	11.095	-0.4	11.0752	0.0	95.7
Portugal	(Es)	260.50	+0.8	000 - 100	261.50	259.75	261.905	-6.5	264.345	-5.9	-	-	-
Spain	(Pta)	208.35	+0.05	820 - 850	208.80	207.80	209.07	-4.1	210.195	-3.5	215.02	-3.2	85.6
Sweden	(SKr)	12.5700	+0.0275	650 - 750	12.5950	12.4800	12.5945	-2.3	12.6255	-1.8	12.768	-1.6	72.6
Switzerland	(SFr)	2.1825	-0.0025	775 - 875	2.1875	2.1775	2.18	1.4	2.1765	1.1	2.1567	1.2	116.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	81.7
Ecu	-	1.3210	+0.003	205 - 215	1.3225	1.3185	1.3224	-1.3	1.3245	-1.1	1.3294	-0.6	-
SDR†	-	0.930037	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4870	-0.005	865 - 875	1.4895	1.4820	-	-	-	-	-	-	-
Brazil	(Cr)	402.30	+4.45	225 - 235	402.50	396.00	-	-	-	-	-	-	-
Canada	(C$)	1.9870	+0.0065	865 - 875	1.9890	1.9740	1.9843	1.7	1.9801	1.4	1.9737	0.7	90.9
Mexico	(New Peso)	4.6400	-0.008	390 - 410	4.6445	4.6245	-	-	-	-	-	-	-
USA	($)	1.4885	-0.002	880 - 890	1.4930	1.4860	1.4852	2.6	1.4811	2.0	1.4706	1.2	67.0
Pacific/Middle East/Africa													
Australia	(A$)	2.2130	-0.0125	120 - 140	2.2270	2.2080	2.2111	1.1	2.2094	0.7	2.2097	0.1	-
Hong Kong	(HK$)	11.5050	-0.0297	045 - 055	11.5288	11.4700	11.4831	2.3	11.4534	1.8	11.3844	1.0	-
India	(Rs)	46.70	-0.1	665 - 675	46.80	46.55	-	-	-	-	-	-	-
Japan	(Y)	162.75	+0.25	225 - 325	163.25	162.00	162.265	3.6	161.445	3.2	157.775	3.1	179.5
Malaysia	(M$)	3.7960	-0.009	955 - 965	3.8030	3.7870	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6790	-0.0155	765 - 815	2.6895	2.6750	2.6809	-0.9	2.681	-0.3	2.6858	-0.3	-
Philippines	(Peso)	41.65	+0.7	160 - 170	41.70	41.20	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5875	-0.0135	870 - 880	5.5975	5.5700	-	-	-	-	-	-	-
Singapore	(S$)	2.3740	-0.0085	730 - 750	2.3780	2.3675	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0290	-0.0015	280 - 300	5.0400	5.0100	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6800	+0.079	790 - 810	6.6985	6.6000	-	-	-	-	-	-	-
South Korea	(Won)	1207.50	-3	740 - 760	1210.00	1204.00	-	-	-	-	-	-	-
Taiwan	(T$)	39.95	-0.15	990 - 000	40.15	39.90	-	-	-	-	-	-	-
Thailand	(Bt)	37.85	-	780 - 790	37.90	37.75	-	-	-	-	-	-	-

†SDR rate for Dec 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Morgan G'ty chges %
Europe													
Austria	(Sch)	12.0325	+0.07	300 - 350	12.0700	11.9925	12.0607	-2.8	12.1022	-2.3	12.2147	-1.5	+16.40
Belgium	(BFr)	35.75	-	570 - 580	35.90	35.70	35.9	-5.0	36.095	-3.9	36.616	-2.4	-0.34
Denmark	(DKr)	6.7100	+0.0175	075 - 125	6.7225	6.6875	6.7395	-5.3	6.7785	-4.1	6.879	-2.5	+10.46
Finland	(FM)	5.7630	+0.0265	625 - 635	5.7900	5.7325	5.7777	-3.1	5.799	-2.5	5.8565	-1.6	-
France	(FFr)	5.8625	+0.0275	600 - 650	5.8675	5.8325	5.8816	-3.9	5.91	-3.2	5.9715	-1.9	-7.36
Germany	(D)	1.7135	+0.0085	130 - 140	1.7175	1.7055	1.7184	-3.5	1.7253	-2.8	1.7389	-1.5	+21.82
Greece	(Dr)	245.50	+1.85	530 - 570	245.80	244.55	249.75	-20.8	257.5	-19.6	292.5	-19.1	-
Ireland	(I£)	1.4145	+0.001	140 - 150	1.4185	1.4080	1.4104	3.5	1.4044	2.9	1.3873	1.9	-
Italy	(L)	1691.00	+3	075 - 125	1693.25	1686.00	1699.3	-5.9	1713	-5.2	1763.5	-4.3	-58.01
Luxembourg	(LFr)	35.75	-	570 - 580	35.90	35.70	35.9	-5.0	36.095	-3.9	36.616	-2.4	-0.34
Netherlands	(Fl)	1.9195	+0.0075	190 - 200	1.9225	1.9100	1.9241	-2.9	1.9304	-2.3	1.9427	-1.2	+21.31
Norway	(NKr)	7.4400	+0.04	375 - 425	7.4575	7.3925	7.4575	-2.8	7.4787	-2.1	7.54	-1.3	-17.79
Portugal	(Es)	174.75	+0.5	470 - 480	175.40	174.30	176.055	-9.0	178.21	-7.9	186.1	-6.5	-
Spain	(Pta)	139.90	+0.05	875 - 905	140.85	139.60	140.585	-6.7	141.75	-5.6	146.05	-4.5	-
Sweden	(SKr)	8.4450	+0.03	425 - 475	8.4500	8.3825	8.4795	-4.9	8.5245	-3.8	8.674	-2.7	-38.39
Switzerland	(SFr)	1.4665	-0.0005	660 - 660	1.4710	1.4620	1.4669	-1.2	1.4688	-0.9	1.4647	0.1	+26.05
UK	(£)	1.4885	-0.002	880 - 890	1.4930	1.4850	1.4853	2.6	1.4811	2.0	1.4706	1.2	-38.15
Ecu	-	1.1265	-0.0025	260 - 280	1.1305	1.1250	1.123	3.5	1.1169	3.0	1.1076	1.8	-
SDR†	-	1.38994	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9985	-	980 - 990	0.9990	0.9975	-	-	-	-	-	-	-
Brazil	(Cr)	270.05	+3.55	000 - 010	270.10	269.95	-	-	-	-	-	-	-
Canada	(C$)	1.3330	+0.0035	325 - 335	1.3350	1.3275	1.334	-0.9	1.335	-0.6	1.3402	-0.5	-11.10
Mexico	(New Peso)	3.1150	+0.003	140 - 160	3.1160	3.1135	3.1167	-0.7	3.1208	-0.7	3.135	-0.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	-10.60
Pacific/Middle East/Africa													
Australia	(A$)	1.4865	-0.004	850 - 880	1.4940	1.4850	1.4867	-1.0	1.4888	-1.2	1.4981	-0.8	-46.65
Hong Kong	(HK$)	7.7240	+0.0005	235 - 245	7.7245	7.7230	7.7257	-0.3	7.7275	-0.2	7.734	-0.1	-
India	(Rs)	31.3700	-	675 - 725	31.3750	31.3675	31.45	-3.1	31.635	-3.6	-	-	-
Japan	(Y)	109.35	+0.4	300 - 340	109.45	108.70	109.285	0.9	109.02	1.2	107.305	1.9	+119.94
Malaysia	(M$)	2.5485	+0.0005	480 - 490	2.5495	2.5475	2.5527	-2.0	2.562	-2.1	2.6035	-2.2	-
New Zealand	(NZ$)	1.7955	-0.0055	970 - 000	1.8040	1.7970	1.7996	-0.9	1.8038	-1.0	1.811	-0.7	-
Philippines	(Peso)	27.95	+0.5	700 - 800	28.00	27.75	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7510	-0.001	505 - 515	3.7515	3.7505	3.7568	-1.9	3.7665	-1.7	3.7835	-0.9	-
Singapore	(S$)	1.5940	-0.0015	935 - 945	1.5950	1.5925	1.5936	0.3	1.5928	0.3	-	-	-
S Africa (Com.)	(R)	3.3765	+0.0085	755 - 775	3.3795	3.3645	3.387	-3.7	3.4165	-4.7	3.5265	-4.4	-
S Africa (Fin.)	(R)	4.4050	+0.065	800 - 900	4.5000	4.4300	4.515	-6.0	4.573	-7.3	-	-	-
South Korea	(Won)	810.65	+0.15	060 - 070	811.20	810.50	813.65	-4.4	817.15	-3.2	[illegible]	-5.1	-
Taiwan	(T$)	26.85	-0.05	880 - 890	26.95	26.80	26.915	-2.9	27.055	-3.1	-	-	-
Thailand	(Bt)	25.40	+0.05	535 - 545	25.45	25.30	25.415	-0.7	25.445	-0.7	25.71	-1.2	-

†SDR rate for Dec 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Morgan Guaranty Changes shown for Dec 13 . Base average 1980/82=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.77	16.40	4.793	1.979	4731	5.370	20.81	489.7	391.6	23.63	4.102	1.880	3.735	2.797	305.8	2.483
Denmark	(DKr)	53.27	10	8.738	2.553	1.054	2520	2.861	11.06	260.8	208.6	12.59	2.185	1.001	1.990	1.490	162.9	1.323
France	(FFr)	60.96	11.44	10	2.922	1.207	2884	3.274	12.66	298.5	238.7	14.40	2.500	1.146	2.277	1.705	186.4	1.514
Germany	(DM)	20.86	3.916	3.422	1	0.413	987.1	1.120	4.341	102.2	81.69	4.929	0.856	0.392	0.779	0.584	63.80	0.518
Ireland	(I£)	50.52	9.484	8.288	2.422	1	2390	2.713	10.51	247.4	197.8	11.94	2.072	0.950	1.887	1.413	154.5	1.255
Italy	(L)	2.114	0.397	0.347	0.101	0.042	100.	0.114	0.440	10.35	8.278	0.499	0.087	0.040	0.079	0.059	6.464	0.052
Netherlands	(Fl)	18.62	3.496	3.055	0.893	0.369	881.0	1	3.875	91.18	72.91	4.400	0.764	0.350	0.695	0.521	56.95	0.462
Norway	(NKr)	48.06	9.022	7.883	2.304	0.951	2274	2.581	10	235.3	188.2	11.36	1.971	0.903	1.795	1.344	147.0	1.193
Portugal	(Es)	20.42	3.834	3.350	0.979	0.404	966.2	1.097	4.250	100.	79.96	4.825	0.838	0.384	0.763	0.571	62.46	0.507
Spain	(Pta)	25.54	4.795	4.190	1.224	0.506	1208	1.372	5.314	125.1	100.	6.035	1.048	0.480	0.954	0.714	78.11	0.634
Sweden	(SKr)	42.32	7.945	6.943	2.029	0.838	2002	2.273	8.807	207.2	165.7	10	1.736	0.795	1.581	1.184	129.4	1.051
Switzerland	(SFr)	24.38	4.577	4.000	1.169	0.483	1154	1.309	5.073	119.4	95.46	5.761	1	0.458	0.911	0.682	74.56	0.605
UK	(£)	53.20	9.987	8.727	2.550	1.053	2517	2.857	11.07	260.5	208.3	12.57	2.182	1	1.987	1.488	162.7	1.321
Canada	(C$)	26.77	5.026	4.392	1.283	0.530	1267	1.438	5.571	131.1	104.8	6.326	1.098	0.503	1	0.749	81.88	0.665
US	($)	35.75	6.712	5.865	1.714	0.708	1692	1.920	7.440	175.1	140.0	8.448	1.466	0.672	1.335	1	109.3	0.888
Japan	(Y)	327.0	61.38	53.64	15.67	6.472	15470	17.56	68.04	1601	1280	77.26	13.41	6.146	12.21	9.146	1000.	8.119
Ecu		40.27	7.560	6.606	1.930	0.797	1905	2.163	8.380	197.2	157.7	9.516	1.652	0.757	1.504	1.126	123.2	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5812	0.5796	-0.0020	0.5820	0.5782	38,764	123,711
Jun	0.5780	0.5770	-0.0028	0.5770	0.5759	300	906
Sep	-	0.5770	-0.0037	-	-	20	129

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9200	0.9170	-0.0030	0.9230	0.9165	10,656	68,315
Jun	0.9220	0.9212	-0.0024	0.9250	0.9207	43	759
Sep	-	0.9275	-	-	0.9275	5	182

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6815	0.6802	-0.0012	0.6820	0.6784	18,636	29,351
Jun	0.6779	0.6803	-0.0009	0.6805	0.6779	26	69
Sep	-	0.6800	-	-	-	1	24

STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.4826	1.4816	-0.0010	1.4834	1.4772	7,848	27,073
Jun	-	1.4780	-	1.4780	1.4730	25	305
Sep	-	1.4736	-0.0044	-	-	1	5

EMS EUROPEAN CURRENCY UNIT RATES

Dec 14	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.16207	+0.00383	-1.54	3.76	-
Ireland	0.808628	0.796907	-0.002882	-1.45	3.65	10
Germany	1.94964	1.93148	+0.00457	-0.93	3.12	-
Belgium	40.2123	40.3971	+0.0373	0.46	1.69	-3
France	6.63883	6.59895	-0.00569	0.92	1.23	-6
Denmark	7.43679	7.56582	-0.00324	1.74	0.42	-12
Portugal	192.854	196.750	-0.916	2.02	0.14	-14
Spain	154.250	157.585	-0.827	2.16	0.00	-15
NON ERM MEMBERS						
Greece	264.513	276.668	+0.403	4.60	-2.38	-
Italy	1793.19	1906.38	-4.36	6.31	-3.90	-
UK	0.786749	0.757401	-0.00241	-3.73	6.12	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9450	0.15	0.46	0.69	0.01	0.04	0.06
9475	0.02	0.29	0.49	0.13	0.10	0.11
9500	0	0.15	0.32	0.35	0.21	0.19

Est. vol. total, Calls 6145 Puts 4655. Previous day's open int., Calls 178464 Puts 170982

BASE LENDING RATES

	%		%		%
Adam & Company	5.5	Duncan Lawrie	5.5	*Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.5	Exeter Bank Limited	7	Royal Bk of Scotland	5.5
AIB Bank	5.5	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.5
●Henry Ansbacher	5.5	●Robert Fleming & Co	5.5	Standard Chartered	5.5
Bank of Baroda	5.5	Girobank	5.5	TSB	5.5
Banco Bilbao Vizcaya	5.5	●Guinness Mahon	5.5	●United Bk of Kuwait	5.5
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.5	Unity Trust Bank Plc	5.5
Bank of Ireland	5.5	●Hambros Bank	5.5	Western Trust	5.5
Bank of India	5.5	Heritable & Gen Inv Bk.	5.5	Whiteaway Laidlaw	5.5
Bank of Scotland	5.5	●Hill Samuel	5.5	Wimbledon & Sth West.	7
Barclays Bank	5.5	C. Hoare & Co	5.5	Yorkshire Bank	5.5
Brit Bk of Mid East	5.5	Hongkong & Shanghai.	5.5		
●Brown Shipley	5.5	Julian Hodge Bank	5.5		
CL Bank Nederland	5.5	●Leopold Joseph & Sons	5.5		
Citibank NA	5.5	Lloyds Bank	5.5		
City Merchants Bank	5.5	Meghraj Bank Ltd	5.5		
Clydesdale Bank	5.5	Midland Bank	5.5		
The Co-operative Bank	5.5	*Mount Banking	6		
Coutts & Co	5.5	NatWestminster	5.5		
Credit Lyonnais	5.5	●Rea Brothers	5.5		
Cyprus Popular Bank	5.5				

● Members of British Merchant Banking & Securities Houses Association
* In administration

WORLD INTEREST RATES

UK INTEREST RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 14 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Dec 14 / Frs.)

[illegible]

DENMARK (Dec 14 / Kr)

[illegible]

FINLAND (Dec 14 / Mka)

[illegible]

FRANCE (Dec 14 / Frs.)

[illegible]

NETHERLANDS (Dec 14 / Fl.)

[illegible]

GERMANY (Dec 14 / Dm.)

[illegible]

ITALY (Dec 14 / Lire)

[illegible]

NORWAY (Dec 14 / Kroner)

[illegible]

SPAIN (Dec 14 / Pts.)

[illegible]

SWEDEN (Dec 14 / Kronor)

[illegible]

SWITZERLAND (Dec 14 / Frs.)

[illegible]

PACIFIC

JAPAN (Dec 14 / Yen)

[illegible]

HONG KONG (Dec 14 / H.K.$)

[illegible]

MALAYSIA (Dec 14 / MYR)

[illegible]

SINGAPORE (Dec 14 / S$)

[illegible]

AUSTRALIA (Dec 14 / Aus$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Dec 14 / Can $)
4 pm close

[illegible]

MONTREAL (Dec 14 / Can $)
4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Dec 14 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1992. ♯ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, December 14, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Joyo Bank	5.4m	780	+1	Fujitsu	3.0m	822	-13
Bk of Yokohama	5.4m	960	-11	Sumitomo Mt Mn	3.0m	800	+26
Mitsubishi Hvy	3.6m	633	-7	Toshiba	2.7m	664	-1
Daiichi Kangyo Bk	3.3m	1,850	-50	Sakura Bk	2.5m	1,470	-50
Nippon Steel	3.2m	303	-8	Skylark	2.5m	2,280	+240

INDICES

[illegible]

US INDICES

[illegible]

■ STANDARD AND POORS 500 INDEX FUTURES

[illegible]

■ NEW YORK ACTIVE STOCKS

[illegible]

■ TRADING ACTIVITY

[illegible]

■ CAC-40 STOCK INDEX FUTURES (MATIF)

[illegible]

4 pm close December 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
14 5/8	11 1/2	AAR	0.48	3.4	700	58	14 1/8	14 1/8	14	-1/8
29 1/8	12 1/4	A L Labs A	0.18	1.3	31	441	13 7/8	13 3/8	13 1/2	-3/8
67 1/4	54 5/8	AMP	1.60	2.7	21	1819	60 3/4	59 3/4	60 1/4	-1/8
72 3/4	55 1/2	AMR			52	3147	68 5/8	68 5/8	66 5/8	-1 3/4
3 7/8	1 3/4	ARX			13	159	3 3/8	3 1/4	3 1/8	
51 1/2	28 7/8	ASA	2.00	4.1	32	317	49 3/4	49 3/8	49 1/8	-1/2
30 3/4	22 5/8	AbbtL	0.68	2.4	17	8113	28 7/8	28 1/2	28 5/8	
12 5/8	8 1/4	Abitibi Pr	0.50	4.3	7	64	11 1/2	11 3/8	11 1/2	+1/4
15 5/8	8 1/4	Acptncetn			20	17	12 1/8	12	12 1/8	+1/8
35	25 1/2	ACE Ltd	0.40	1.4	5	205	29 5/8	29 1/4	29 1/4	-1/4
12 1/4	10 5/8	ACM Gvt In x	1.09	9.1		173	12	11 7/8	12	
10 1/8	9 1/8	ACM GvOpp x	1.58	16.4		154	9 7/8	9 3/4	9 3/4	
10 3/8	8 3/4	ACM Gvt Sp x	0.96	9.6		177	10 1/4	10 1/8	10 1/8	
12	10 1/2	ACM Gvt Se x	1.09	9.3		265	11 7/8	11 3/4	11 3/4	-1/8
12 1/4	9 5/8	ACM Man x	2.56	23.3		168	11	10 7/8	11	
9 3/8	8 5/8	ACM Managd x	0.72	8.0		77	9 1/8	9	9	
12 3/8	7 3/4	AcmeCle	0.44	4.7	12	34	9 1/2	9 3/8	9 3/8	+1/8
11 3/8	6 3/8	Acme Elect			39	81	8 3/4	8 3/8	8 5/8	
27 5/8	18 3/8	Acordia	0.44	1.9	13	10	23 3/4	23 5/8	23 5/8	-1/4
16	10 3/8	Acuson			55	248	12 1/4	12 1/8	12 1/8	-1/8
21 3/4	17 3/4	Adams Expr	0.52	2.9	0	111	18 1/8	17 7/8	17 7/8	-1/4
86 1/4	45 1/2	Ad Micro	3.00	6.3		286	47 3/4	47	47 5/8	+1/8
32 3/4	17 3/8	AdvMc	3.00	16.7	6	4571	18 3/8	17 3/4	18	-1/8
8 1/8	5 1/2	Advest Grp	0.16	2.5	11	259	6 5/8	6 1/2	6 1/2	-1/8
24 3/4	14 1/4	Advo Inc	0.08	0.5	80	905	16 7/8	16 5/8	16 7/8	+1/4
55 1/4	41 1/8	Aegon ADR	1.23	2.3	11	94	53 3/4	53 1/4	53 1/2	-1/4
66 1/4	43 3/8	Aetnal.	2.76	4.6	26	1193	61	60 1/4	60 5/8	
34	24 3/4	Aflac	0.40	1.4	12	1744	28	27	27 3/8	+1/4
32 1/8	18 3/4	Ahmnsn	0.88	4.5	9	951	19 5/8	19 1/4	19 1/2	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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هكذا من الأصل

4 pm close December 14

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

AMEX COMPOSITE PRICES

4 pm close December 14

[illegible]

NASDAQ NATIONAL MARKET

4 pm close December 14

[illegible]

AMERICA

November retail data fail to lift cyclicals

Wall Street

US stocks retreated yesterday morning as news of a moderate gain in November retail sales failed to sustain the forward momentum of cyclical issues, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average had slumped 17.61 to 3,746.82, while the more broadly based Standard & Poor's 500 was 2.49 lower at 463.21. In the secondary markets, the American SE composite was down 1.88 at 462.89, and the Nasdaq composite fell 7.45 at 752.27. NYSE volume was moderate, with 170m shares traded by 1 pm.

Brazilian equities registered a 3.7 per cent gain in moderate mid-afternoon trade, seeing Monday's central bank interventions in the money and forex markets as a step towards the implementation of the country's new economic plan. The Bovespa index was quoted at 30,608 points at 15.30 local time, up 1,109.

A softening bond market, where trading was largely driven by technical factors, left equity investors free to sift through the implications of the latest reading on the economy.

The Commerce Department said that retail sales in November had risen 0.4 per cent, as forecast, following an upwardly revised 1.8 per cent increase in October. Economists were encouraged by a 0.9 per cent jump in durable goods, which should fuel inventory replacement in the first quarter and help moderate an expected slowdown early next year.

Nevertheless equities moved downward, perhaps because of underlying disappointment in the moderating month-to-month trend. Political developments in Russia, which appeared to threaten the reform process, was a further source of unease.

As a result, stocks most likely to benefit from a buoyant economy gave back some of their gains from the previous, record-breaking session. Alcoa fell $1⅛ to $72⅞, 3M $1 to 109⅞ and Cummins Engine $⅞ to $53¼. The Big Three car makers were weaker, Chrysler falling $1¼ to $55¼. Ford $1⅛ to $63⅞ and GM $1 to $55⅛.

One of the day's stand-outs was Brown-Forman, which surged after it offered to buy up to 4.2m of its shares in a Dutch auction at $83 to $90 each. The distiller's A stock shot up $15 to $85⅞ and the B issue $11⅞ to $86⅞.

Among other beverage stocks, Anheuser-Busch shed $1⅞ to $48⅞ on news of its plans to cut beer prices in a move to stem declining sales of its premium brands. Philip Morris, which owns Miller Brewing, lost $⅞ at $55⅛.

Federal Express climbed $1¼ to $71¼ after analysts raised their ratings on the issue.

On the Amex, Medco Research jumped $2¼ to $15½ after its Adensoscan heart-disease detection drug moved a step closer to FDA approval.

In the latest turn in their battle to take over Paramount Communications, QVC added $⅞ to $41⅞ and Viacom "B" shares $1 at $43⅞ after reports that the target company had decided not to set up an independent committee to evaluate their rival offers. Paramount, which posted second-quarter results in line with forecasts, was marked up $¼ to $80⅞.

Canada

Profit-taking left Toronto lower at midday, the TSE-300 index shedding 32.85 to 4,260.53 in volume of 39.93m shares.

Dublin brokers celebrate buoyant year for equities

Tim Coone looks at Ireland's high performance

This year, champagne corks will be popping at the Christmas parties of Dublin's stockbroking community as never before.

After a gloomy 1992, the Irish market has mounted a sustained rally throughout the year, rising by almost 50 per cent. Market turnover is approaching the I£6bn level, almost twice that of 1992, and some 40 per cent up on the previous record high of I£4.3bn in 1987.

At this time last year, the ERM currency crisis and speculative assaults upon the punt had driven up Irish interest rates to levels which cast a long shadow over Irish corporate earnings and the domestic equity market.

Brokers sighed over their mortgages and their disappearing commissions.

But as every cloud is professed to have its silver lining, the 1992 gloom made Irish equities appear very cheap by comparison with other markets.

The two main factors which, since then, have driven this year's bull market are the 10 per cent devaluation of the punt last January and an unprecedented influx of around I£700m from overseas investors, nearly matching the cash flow from domestic institutions. The latter has been boosted by the inclusion of Irish stocks in the Morgan Stanley Capital International Index last May, attracting more US funds to the market, and the steady drop in Irish interest rates since the devaluation which has boosted growth forecasts for the Irish economy over the next two to three years, putting it near the top of the EU league table.

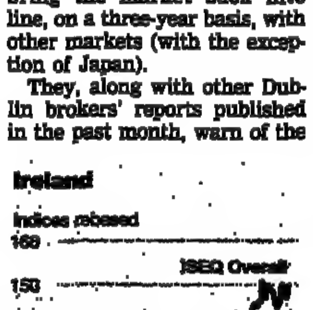
So can the rally be sustained into 1994?

Goodbody, the Dublin stockbrokers, anticipate a 20 per cent growth in Irish corporate earnings in 1994 and a 10 per cent increase in dividends. A robust domestic economy and recovery in the UK and the US, which together account for around 90 per cent of the earnings base of the Irish market, are expected to underpin further growth in market capitalisation into 1994.

But NCB stockbrokers in Dublin point out that the 1993 rally has done no more than bring the market back into line, on a three-year basis, with other markets (with the exception of Japan).

They, along with other Dublin brokers' reports published in the past month, warn of the risk of overseas profit-taking in the not-too-distant future, with the spring targeted as the market high. While overseas interest in the Irish market has been welcomed by brokers and corporate executives alike, as a counterbalance to Irish institutions continuing to move into overseas markets with the final removal of all exchange controls at the beginning of the year, there is also a recognition that overseas holdings of Irish equities are more speculative and therefore more volatile.

Ireland



Source: FT Graphite

Forecasts for 1994 vary between a more modest high of 20 per cent growth in the ISEQ index from Davys stockbrokers, to a low of 12 to 14 per cent from Goodbody. NCB come in between at 17 per cent. NCB expects Irish industrial stocks to outperform financial issues in the second half of the year.

Riada, the stockbrokers, also opt for a 17 per cent growth forecast. Mr John Clarke, an analyst with Riada, says: "The growth in 1993 has been within historical parameters and has come from a low base. On a price/earnings ratio basis, the market still looks cheap. We have not run ahead of the others." The prospective 1994 for Irish equities, according to all these brokers, is somewhere around the 13 mark.

Market forces at work during the coming year, counteracting lower overseas interest, will be greater liquidity in the domestic market and fewer cash calls from Irish companies. Fundings and placings of around I£700m this year have absorbed most of the domestic cash flow to Irish institutions. But only I£350m to I£400m is expected to be called for in 1994.

Brokers point out that Irish quoted companies are well capitalised in the case of the banks and financial institutions, while the industrial stocks are lowly geared and have a relatively healthy dividend cover – 2.4 for the Irish market compared to 2.0 and below for many of the others.

While cash flow into institutional unit funds is still only at a trickle, it is expected to increase through 1994 as interest rates fall to an anticipated 5 per cent by the year-end.

So while market buoyancy is expected to result in a moderate demand for funds for expansion and opportunistic reasons, this "will not cause any major digestion problems for the market", according to one of Dublin's leading brokers.

That said, whether brokers will be breaking open the champagne a year from now remains to be seen.

EUROPE

Bourses lower after unhappy afternoon

Nuclear threats to Germany and Japan made by the Russian right-wing leader, Mr Vladimir Zhirinovsky, based on an old interview according to North German Radio in Hamburg, were reported as news early yesterday afternoon and not clarified until later. Bourses ended the day much less buoyantly than they began, *writes Our Markets Staff.*

FRANKFURT was marginally higher at one point but it saw the DAX fall 22.78 to 2,149.97 on the official session, and slide further to an Ibis-indicated low of 2,128.07 at the end of the post bourse.

Turnover eased from DM9.4bn to DM9.2bn. Mr Thomas Nolten, of B Metzler in Frankfurt, said that, at least in the morning and early afternoon, the market was using the Russian elections as an additional excuse to mark stocks down, and that short-covering in recent days had left the market with little resistance to small investment selling from German holders.

US investors, said Mr Nolten, were out of the market, having driven the DAX through the 2,000 and 2,100 levels. That said, foreign investment favourites were particularly weak at one point or the other: Schering, the pharmaceuticals stock, was DM47.50, or 4.2 per cent lower DM1.073 on the session and Mannesmann, which peaked at DM401, closed DM8.50 below that at DM391.50 in the London afternoon.

Elsewhere, profit-taking hit the banking sector with Commerzbank most prominent, fall DM9.50 to DM382.50 on the session and another DM3 to DM379.50 after hours.

PARIS blamed profit-taking ahead of the expected Gatt agreement, programme selling from the US, and nervousness over Mr Zhirinovsky as the CAC 40 index dropped 39.81, or 1.8 per cent to 2,156.50.

Mr Michael Woodcock, of Nikko Securities, was cautious over the Gatt deal and the apparent French victory on the film and television front, noting that Canal Plus, involved quite heavily in film production, fell FFr29 to FFr1,270 on the day.

Big blue chips were hit later by Russia worries, Elf Aquitaine losing FFr16.70, or 4 per cent at FFr410.10. Elf's fall also reflected the government's decision to keep a golden share, and the veto, after its privatisation.

ZURICH was unable to maintain its early momentum and the SMI index, which had posted record highs for the previous four sessions, shed 9.1 to 2,864.8. However, turnover was low, with a virtual absence of foreign demand.

Analysts commented that lower interest rates still held the key to the market's further advance, suggesting that some investors were becoming uneasy about the impact of the strong local currency on corporate profits, particularly of the exporters.

Blue chips were mostly lower: Nestlé, the most active stock dipped SFr2 to SFr1,252.

A SFr12 rise to SFr730 in Swiss Re certificates was attributed to recent changes in the capital structure.

Baloise registered shares firmed SFr25 to SFr2,585 in response to the insurer's statement that it may raise the dividend.

Georg Fischer, planning to close a loss making German subsidary, added SFr40 to SFr1,030.

MILAN was subdued by technical considerations ahead of today's end of the monthly account, but the the Comit index managed a 3.32 rise to 591.77. Fiat continued in good form with a L41 rise to L4,355 attributed to investors focusing on prospects for 1994.

Credito Italiano was steadier after Monday's profit-taking which followed the sharp post-privatisation surge. The shares eased L8 to L2,342. A L59, or 3.0 per cent to L1,499 in Olivetti was attributed to profit-taking.

AMSTERDAM finished a quiet session at the day's lows in response to the weakness of Wall Street's opening and Frankfurt's late trading. The CBS Tendency index shed 0.6 to 139.3. **ISTANBUL** jumped 4.6 per cent in heavy buying, reversing four days of falls. The composite index added 798.3 to 18,143.5 as buyers were drawn back by the lower prices, and in reaction to an easing of lira overnight rates.

ATHENS continued higher, bullish sentiment following the success of recent new issues continuing to feed the market: Aktor, the construction company was 267 times subscribed last week. The general index added 13.84 to 936.90.

Written and edited by William Cochrane and Michael Morgan.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Dec 14 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1421.88	1424.11	1422.81	1420.37	1419.61	1416.27	1410.25	1409.64
FT-SE Eurotrack 200	1486.38	1488.52	1487.41	1485.81	1484.36	1481.97	1478.58	1474.93

	Dec. 13	Dec. 10	Dec. 9	Dec. 8	Dec. 7
FT-SE Eurotrack 100	1418.03	1415.61	1416.66	1416.22	1399.50
FT-SE Eurotrack 200	1479.80	1478.77	1482.79	1483.18	1467.49

Base value 1000 (26/10/90); High/day: 100 - 1424.63; 200 - 1489.56 Low/day: 100 - 1408.60 200 - 1474.32.

ASIA PACIFIC

Taiwan surges 3.5 per cent to 21-month high

Tokyo

Small-lot technical trading dominated activity as investors focused on political developments, and the Nikkei average closed lower for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

The 225-share index lost 18.60 at 17,308.73 after moving within a narrow range of 17,415.74 and 17,263.43. The Topix index of all first section stocks shed 11.13 to 1,451.01. Volume was 200m shares, down from 221m. Declines outscored rises by 565 to 391, with 199 issues unchanged. In London the ISE/Nikkei 50 index firmed 1.56 to 1,190.45.

With the government's decision over rice out of the way, there was a perceived need for the Japanese prime minister, Mr Morihiro Hosokawa, to extend the current parliamentary session to allow for the passage of the political reform bill. Investors are cautious over threats by Liberal Democrats, the leading opposition party, to oppose such a proposal. If the government and the LDP cannot come to an agreement, the decision will be left to Ms Takako Doi, speaker of the lower house.

Concern over whether the supplementary budget bills for the current fiscal year will pass through parliament by Wednesday, the last day of the current session, also weighed on yesterday's trading.

The government's official acceptance of a compromise deal to open Japan's rice market spurred buying in related stocks. Kamugumi, a port transporter, gained Y10 at Y1,160 and Mitsubishi Warehouse and Transportation rose Y40 to Y1,480.

Skylark, a restaurant chain, surged Y240 to Y2,280 on rumours that a leading Japanese broker was promoting the stock; it posted the largest percentage rise of the day.

Foreigners sold bank shares, Dai-Ichi Kangyo Bank declining Y50 to Y1,850. Profit-taking hit high-technology issues, which gained ground on Monday, while heavy electricals were also lower, with Hitachi down Y25 to Y815.

Nippon Telegraph and Telephone firmed Y1,000 to Y736,000 while East Japan Railway fell Y5,000 to Y417,000.

A rise in gold bullion prices in overseas markets supported mining shares, with Sumitomo Metal Mining climbing Y26 to Y800 and Mitsui Mining and Smelting adding Y12 at Y370.

In Osaka, the OSE average declined 121.55 to 19,201.24 in volume of 29.6m shares. Nintendo, the video game maker, advanced Y210 to Y7,100 on bargain hunting.

Roundup

Hong Kong took a tumble after the recent bull run, but further records were set elsewhere in the Pacific Rim. Bombay was closed as brokers boycotted business to protest at Monday's ban on carry forward deals announced by the authorities in a bid to restrain the sharply advancing market.

TAIWAN surged ahead 3.5 per cent to a 21-month high in turnover that rose to its heaviest level since April 1991. The weighted index added 173.15 at 5,102.96 in turnover that expanded to T$104.9bn from Monday's T$93.87bn.

The bullish sentiment was helped by media reports quoting Finance Minister Lin Chen-kuo as saying the ministry's proposal to reimpose a stock capital gains tax, expected by the end of this month, would not have a big impact on the market.

The banking sector jumped 6.7 per cent as several brokers noted strong foreign buying, especially in insurance issues.

MANILA finished at its high for the year, spurred by a rise in bullion prices. The market index peaked at an intraday 2,618.95 before profit-taking left it finishing a net 4.28 up at 2,583.49.

KARACHI closed at a record peak for a second successive day, the KSE 100-share index jumping 36.98 to 1,909.60.

HONG KONG retreated 2.2 per cent as profits were taken, but sporadic bargain hunting helped the Hang Seng index pick up from the day's low of 9,992.39 to close 227.11 down at 10,021.48.

SINGAPORE encountered a wave of buying towards the end of the trading day that helped to push the Straits Times Industrial index up 7.04 to its fourth consecutive closing high of 2,252.31.

AUSTRALIA paused after the recent strong rally and the All Ordinaries index ended 7.9 easier at 2,086.6. Wall Street's overnight performance and a rise in metal prices gave the market some impetus in early trade, but it petered out after a sharp reversal in futures trading and a lack of buyer interest.

SEOUL overcame early consolidation as blue chip manufacturing shares rallied. The composite stock index finished 7.17 higher at 857.20.

KUALA LUMPUR was mostly lower on profit-taking but strong gains in some component stocks pushed the key Kuala Lumpur Stock Exchange composite index up 2.31 points to a new closing peak of 1,092.66.

BANGKOK encountered profit-taking that left the SET index 2.18 lower at 1,482.99 in robust turnover of Bt28.59bn.

NEW ZEALAND's NZSE-40 capital index weakened 18.58 to 2,087.54.

SOUTH AFRICA

Johannesburg came off its best levels on late profit-taking as the gold bullion price dipped briefly, but the overall index still finished 47 higher at 4,594. The gold shares index added 16 at 2,151 and industrials moved forward 32 to 5,141.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY DECEMBER 13 1993								FRIDAY DECEMBER 10 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	158.91	+0.6	158.07	109.44	140.87	157.43	+0.3	3.27	158.18	156.86	109.14	139.72	156.92	162.83	117.39	121.86
Austria (17)	182.83	+0.4	181.86	125.91	162.06	161.50	+0.7	0.99	182.06	180.55	125.62	160.82	160.38	184.47	131.16	139.20
Belgium (42)	160.36	-0.3	159.51	110.43	142.14	141.38	+0.2	4.07	160.88	159.54	110.99	142.10	141.04	161.29	131.19	135.77
Canada (107)	134.93	+0.5	134.21	92.92	119.59	129.90	+0.5	2.58	134.31	133.20	92.66	118.63	129.25	135.71	111.41	113.20
Denmark (32)	238.85	-1.2	237.58	164.49	211.72	217.41	-0.5	1.04	241.64	239.63	166.72	213.44	218.47	241.54	185.11	203.14
Finland (23)	121.57	-1.4	120.92	83.73	107.76	146.30	-0.7	0.71	123.28	122.25	85.06	108.89	147.39	128.99	65.50	74.11
France (96)	171.66	-0.2	170.75	118.21	152.15	157.12	+0.1	2.96	172.05	170.62	118.70	151.98	157.00	173.05	142.72	143.96
Germany (60)	138.01	+0.1	137.27	95.06	122.33	122.33	+0.5	1.69	137.85	136.70	95.12	121.76	121.76	138.36	101.59	102.75
Hong Kong (55)	418.92	+0.2	416.70	288.51	371.36	415.40	+0.2	2.63	418.20	414.73	288.53	369.41	414.68	418.92	218.82	211.26
Ireland (14)	180.48	+0.8	179.52	124.30	159.98	179.91	+1.0	3.15	179.41	177.92	123.78	158.47	178.09	180.48	129.28	134.32
Italy (70)	67.24	+0.6	66.89	46.31	59.60	84.77	+1.4	1.97	66.85	66.29	46.12	59.04	83.62	78.93	53.78	52.89
Japan (488)	135.57	+0.5	134.85	93.36	120.19	93.36	+0.3	0.88	134.86	133.74	93.05	119.14	93.05	165.91	100.75	106.65
Malaysia (69)	539.09	+2.6	536.22	371.25	477.85	529.02	+2.4	1.33	525.88	521.52	362.82	464.50	516.77	539.09	251.66	264.38
Mexico (19)	2228.25	+0.2	2216.43	1534.58	1975.18	7581.63	+0.1	0.65	2224.81	2206.34	1535.02	1965.19	7571.13	2249.30	1410.30	1615.95
Netherland (26)	194.42	-0.7	193.39	133.90	172.35	169.67	-0.2	3.12	195.76	194.14	135.07	172.92	169.94	197.07	150.39	155.14
New Zealand (14)	64.35	+0.1	64.01	44.32	57.04	61.64	+0.3	3.80	64.29	63.76	44.36	56.79	61.49	66.38	40.56	42.22
Norway (23)	172.00	-0.2	171.09	118.46	152.47	172.76	+0.2	1.48	172.29	170.86	118.88	152.19	172.41	185.10	137.71	143.11
Singapore (38)	342.32	+1.3	340.50	235.75	303.43	251.69	+1.1	1.27	338.05	335.25	233.24	298.60	248.87	342.32	207.04	203.60
South Africa (60)	239.65	+0.7	238.38	165.04	212.42	231.52	+1.0	2.36	237.87	235.89	164.11	210.10	223.28	239.65	144.72	148.84
Spain (42)	137.38	-0.5	136.65	94.61	121.77	145.44	+0.1	4.11	138.12	136.97	95.30	122.00	145.28	145.24	115.23	120.41
Sweden (36)	186.59	-0.4	185.60	128.51	165.41	232.45	+0.6	1.60	187.29	185.73	129.22	165.44	230.95	208.92	149.70	187.55
Switzerland (50)	157.14	-0.3	156.31	108.23	139.31	142.82	+0.4	1.51	157.57	156.26	108.72	139.20	142.28	157.57	108.91	113.48
United Kingdom (215)	196.48	-0.4	195.44	135.30	174.15	195.44	-0.1	3.68	197.35	195.71	136.15	174.31	195.71	198.05	162.00	169.87
USA (518)	189.59	+0.3	188.59	130.58	168.07	189.59	+0.3	2.74	188.98	187.41	130.39	166.93	188.98	191.56	175.38	176.75
Europe (748)	164.57	-0.3	163.69	113.34	145.88	158.41	+0.1	2.86	165.05	163.68	113.88	145.80	158.20	165.22	133.92	135.05
Nordic (114)	181.74	-0.7	180.78	125.17	161.10	193.57	+0.2	1.28	182.99	181.47	126.26	161.64	193.27	194.54	142.13	153.88
Pacific Basin (715)	147.16	-0.6	146.40	101.37	130.47	105.07	+0.4	1.15	146.35	145.14	100.98	129.29	104.65	168.80	105.89	110.76
Euro-Pacific (1463)	154.27	-0.2	153.46	106.24	136.75	125.62	+0.3	1.91	155.59	154.02	105.05	136.94	125.27	162.86	117.26	120.58
North America (625)	186.18	+0.3	185.19	128.24	165.06	185.48	+0.3	2.73	185.59	184.02	127.71	164.87	184.61	187.68	171.51	172.82
Europe Ex. UK (533)	144.27	-0.2	143.51	99.38	127.91	136.56	+0.3	2.34	144.56	143.36	99.76	127.71	136.14	144.56	112.51	114.21
Pacific Ex. Japan (246)	258.19	+0.6	256.82	177.84	228.89	238.47	+0.7	2.48	256.25	254.12	176.83	226.37	236.83	258.19	152.70	151.09
World Ex. US (1649)	156.04	+0.2	155.21	107.47	138.32	128.71	+0.3	1.92	155.72	154.43	107.45	137.58	128.33	162.89	118.51	121.57
World Ex. UK (1952)	163.35	+0.2	162.48	112.50	144.81	143.02	+0.4	2.06	162.81	161.46	112.34	143.83	142.51	166.89	134.22	136.32
World Ex. So. Af. (2107)	165.82	+0.2	164.94	114.21	147.00	146.80	+0.3	2.18	165.42	164.05	114.14	146.13	146.46	170.46	137.29	139.28
World Ex. Japan (1699)	183.99	+0.1	183.01	126.72	163.12	180.06	+0.3	2.73	183.72	182.20	126.77	162.31	179.53	183.99	157.47	157.78
The World Index (2167)	166.24	+0.2	165.36	114.49	147.37	147.59	+0.3	2.23	165.83	164.45	114.42	146.49	147.14	170.68	137.32	139.24

Latest prices were unavailable for this edition.